HUB-IN

HUB-IN Business & Financing Models Guide

Including the HUB-IN Business & Financing Model Catalogues

Les Machines de l'île - Romain Peneau

Funded by the Horizon 2020 Framework Programme of the European Union.

Version 1.0, January 2022

HUB-IN Business & Financing Models Guide

PREPARED BY
Pieter van de Glind, Ronald Kleverlaan (CrowdfundingHub)
Helen Toxopeus, Mara van Twuijver (Utrecht University)
Rita Lopes, Lina Arroyave, João Pedro Gouveia (NOVA University of Lisbon)

WITH CONTRIBUTIONS FROM
Brian Smith (Heritage Europe (EAHTR))
Niels Bosma (Utrecht University)
Elisa Terragno Bogliaccini (Utrecht University)

REVIEWED BY
Brian Smith (Heritage Europe (EAHTR))
Giustino Emilio Piccolo (Energy Cities)
Vera Gregório (Lisboa E-Nova)
Niels Bosma (Utrecht University)
Elisa Terragno Bogliaccini (Utrecht University)

HOW TO CITE THIS DOCUMENT
Please cite this work as: Van de Glind, P., Toxopeus, H., Lopes, R., van Twuijver, M., Gouveia, J.P., Arroyave, L. and Kleverlaan, R. (2022) The HUB-IN Business and Financing model guide for heritage-led regeneration of Historic Urban Areas.

DESIGNED BY
Iwan Daniëls

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 869429.

PROJECT INFORMATION
Project name: HUB-IN
Grant agreement number: 869429
Project duration: 2019-2024
Project coordinator: Vera Gregório, Agência de energia e ambiente de Lisboa (Lisboa E-Nova) Address: Rua dos Fanqueiros 38, 1 andar, Lisboa 1100 231, Portugal
veragregorio@lisboaenova.org

STATEMENT OF ORIGINALITY
This deliverable contains original unpublished work except where clearly indicated otherwise. Acknowledgement of previously published material and of the work of others has been made through appropriate citation, quotation or both.

With special thanks to

The passionate experts who helped us connect new financing models to the world of HUB-IN

- Liesbeth Soer - Director Catalytic Investments, Triodos Regenerative Money Centre
- Theo Stauttener - partner at Stadkwadraat & co-initiator Stadmakersfonds
- Richard Harries - Former Director of R&D, Power to Change Trust
- Björn Vennema - co-founder Social Finance NL
- Irma Langeraert - founder Ilfa (AndersFinancieren)
- Elena de Nictolis - postdoctoral researcher at Georgetown University (EJP) & research fellow LabGov.city
- Henry Mentink - Chairman UNO Foundation Veerhuis, Friends of the Earth charter
- Martijn Arnoldus - founder Social Finance Matters
- Tine de Moor - Professor Social Enterprise & Institutions for Collective Action, Erasmus University Rotterdam

The shoulders this publication stands upon, including many exciting European projects.

Urban Maestro, Open Heritage, T-factor, Centrinno, The CLIC project, Greenfoot, Altfinator, CrowdThermal, Naturvation, Virtual and Smart Cultural Tourism, The Horizon 2020 Expert Group on Cultural Heritage

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 869429.

Contents

About HUB-IN

Mission

The project 'Hubs of Innovation and Entrepreneurship for the Transformation of Historic Urban Areas' (HUB-IN) aims to foster innovation and entrepreneurship in Historic Urban Areas (HUA), while preserving their unique social and cultural identity and the environment.

The project adopts innovation and entrepreneurship as the main drivers of urban regeneration in HUAs and is fully aligned with European and international policy (see **Smith, B 2021** for an overview).
In the first stage of HUB-IN, a network of Hubs of innovation and entrepreneurship will be developed in the HUAs of eight city partners (Lisbon, Slovenska Bistrica, Brasov, Nicosia, Genova, Grand Angoulême, Belfast, Utrecht) and in the second stage, the resulting methods and tools will be scaled up to a global network of HUAs in follower cities and the HUB-IN Alliance. The Hubs of Innovation and Entrepreneurship will test, demonstrate and pilot activities of co-creation and co-design in three main clusters with the potential to deliver sustainable transformation of HUAs: 1) Culture and Creative industries, 2) New Lifestyles and 3) Resilient and Human Connected Places.

Vision

HUB-IN expects to contribute to reverse trends of abandonment and neglect of historic heritage in cities in a systemic way through the creation of networks of Hubs where innovation will be the main driver.

The project will also have a direct impact on the creation of new sustainable opportunities for local traditional businesses and for the development of new creative skills and jobs.

The consortium behind HUB-IN

The HUB-IN Business and Financing model guide for heritage-led regeneration of Historic Urban Areas

Welcome to your HUB-IN Place, a revitalised Historic Urban Area in your city or town. A vibrant destination, home to a range of innovative and creative entrepreneurs and businesses.

Heritage-led regeneration requires financing, suitable business models and good governance. Leading HUB-IN places have solved the puzzle and discovered the unique mix that works in their context.

Are you ready to set off on a journey and explore what works in your Historic Urban Area?

This guide takes you on an expedition to business, financing and governance models across Europe. The road ahead will take you to HUB-IN places that have ignited innovation and entrepreneurship, while preserving their unique cultural, social and environmental identities and values.

Successful urban transformation and heritage-led regeneration of Historic Urban Areas can happen everywhere. This guide should help you reach the important milestones of mixing sustainable business and financing models.

Let’s go!

Executive Summary

The purpose of this guide is to provide you with a state of the art overview of business, financing and governance models, relevant to the heritage-led regeneration of Historic Urban Areas.

This guide is part of the HUB-IN project, which stands for: 'Hubs of Innovation and Entrepreneurship for the Transformation of Historic Urban Areas'. This project aims to foster innovation and entrepreneurship in Historic Urban Areas, while preserving their unique social and cultural identity and the environment.

The business, financing and governance model cases presented in this guide provide actionable insights into the ways these models are being used throughout Europe to enable heritage-led regeneration. The Heritage Finance Ecosystem provides a starting point for exploring the many funding and financing opportunities that are present today.

HUB-IN experiments with new business, financing and governance models, combining traditional public funding streams with other sources of funding such as crowdfunding, while contributing to their city's inclusive and sustainable development.

Everything presented in this guide is based upon: (1) the data collected for the **HUB-IN Atlas;** (2) interviews with 9 experts to connect their experiences with novel financing models to the heritage-led regeneration of Historic Urban Areas; (3) desk research and conversations with people working on related European projects; (4) the Community Finance Ecosystem developed by the CrowdfundingHub; (5) the collective knowledge of the HUB-IN consortium.

The original plan was to create a separate business model catalogue (D 2.3) and a separate financing model catalogue (D 2.4). While those evolved many synergies emerged between business, financing and governance models. To stay close to the realities of heritage-led regeneration, we decided to combine everything into a single actionable guide.

Introduction

Kian Lem - Unsplash.com

A young girl picks a bright yellow flower from the ground. Her hair dangles in the autumn wind. As she looks up at the wooden building in front of her, she asks her father: 'why do the blades of the old windmill never spin?' Father remembers when the blue and yellow gates to the property were locked for the last time a decade ago. After a few seconds he responds. 'Well my sweetheart, it used to spin. But maybe the answer is blowing in the wind?'

What started as a high-school project quickly became folklore. The girl and her friends would regenerate the mill and turn it into a sustainable nutrition education centre. First, there were more friends, neighbours and some local schools. Then the newspaper followed by a much wider crowd and city hall. Finally, the local farmer's market and the bank stepped in. Together they launched the Flower Foundation.

'Have you seen our nutrition centre, making international headlines?' Says a local alderman standing in front of a strange windmill. Its black and yellow solar panels make it look like a large flower. The alderman raises her voice. 'Deemed impossible by experts, the wind is now used to grind the grains from local farmers and to generate electricity!' The small crowd cheers loudly. 'When we give each other a chance much is possible!'

After hours of celebration, the last employee walks through the black and yellow gate. Two figures remain. As the sun sets behind the slowly spinning blades one of them asks. 'When answers are blowing in the wind, isn't it all about asking the right questions?'

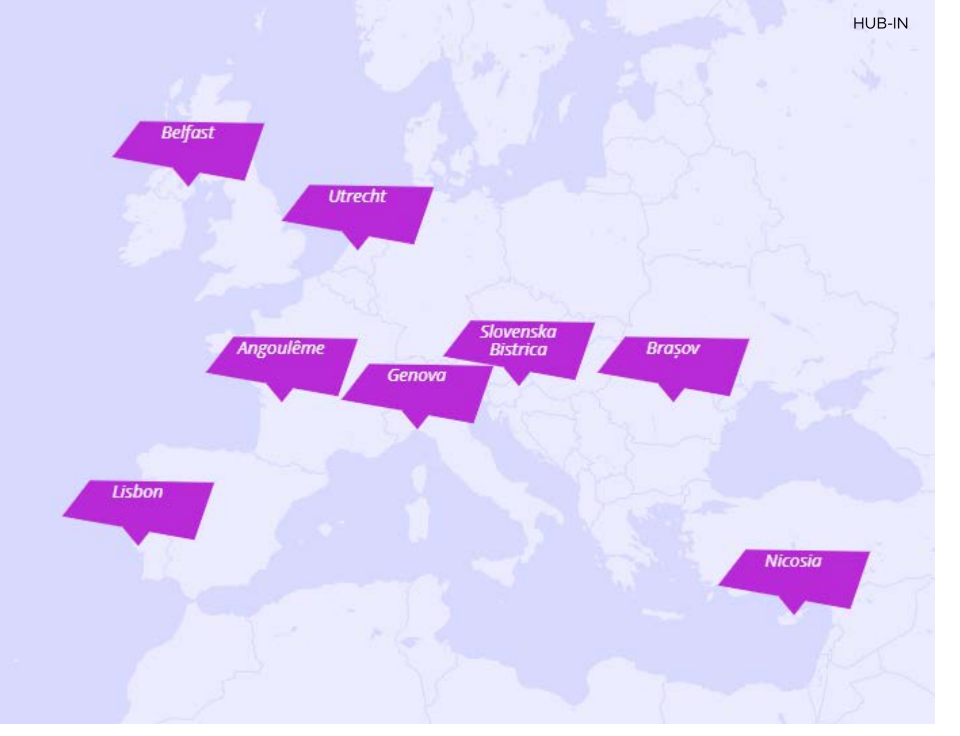
How can innovative and entrepreneurial actions contribute to the sustainable transformation and heritage-led regeneration of Historic Urban Areas? HUB-IN operates a network of hubs in such areas. Through these hubs, we incubate and unlock the innovative entrepreneurship that makes heritage-led regeneration possible. We value heritage as a powerful catalyst for transformational change. By building on the 'spirit of the place', we can meet the needs of residents whilst attracting investment, jobs and improving quality of life.

This guide takes you on an expedition to the business, financing and governance models landscape of heritage-led regeneration in Historic Urban Areas. These models are vital building blocks for any historic urban area that wants to become a HUB-IN place.These are places that:

- Preserve, reuse and adapt their unique cultural, social and environmental identities and values of heritage;
- Utilise their fertile ground for innovative and entrepreneurial behaviour;
- Foster and sustain innovative and entrepreneurial processes;
- Regenerate sustainably while building on their unique history and heritage.

This guide is intended to accommodate different starting points. You may want to start with attracting public funding for large-scale urban regeneration. In that case, large public funding pots such as the European Structural Investment Funds are worth exploring. Or you may be representing a small community ready to take on a small building. In that case, finding the suitable business models and applying crowdfunding or community financing could be interesting.

HUB-IN Cities



What is happening at the heritage site is the defining factor. An active community has a better chance than a traditional owner that wants to continue the original function. In my own experience, having a few people actively involved can help trigger larger participation and funding.

Martijn Arnoldus, founder of Social Finance Matters

Whatever the starting point, successful heritage-led regeneration always requires a mix of business, financing and governance models. This guide inspires you with many such models that could work in your local context.

This guide at a glance

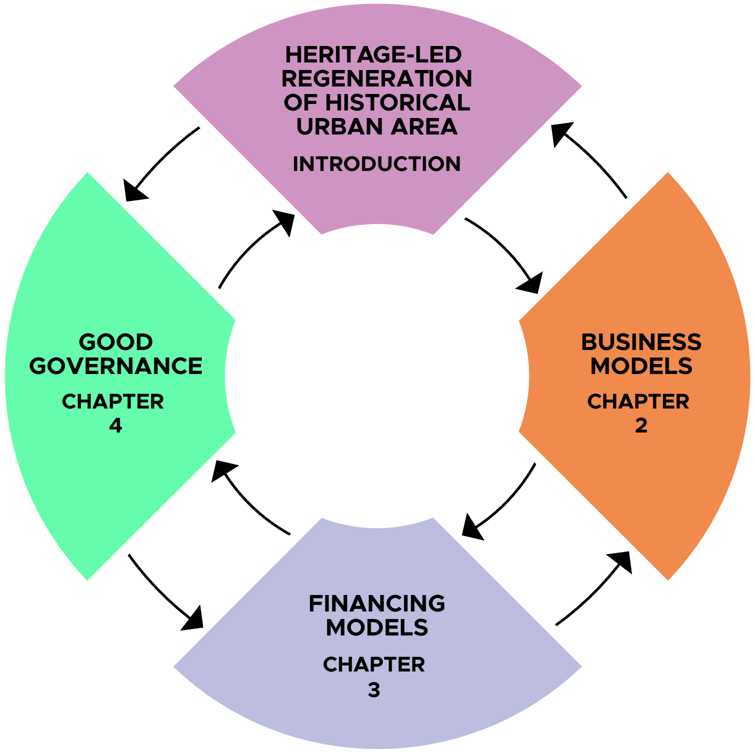
The models presented in this guide are the building blocks you can utilise to create a unique structure that enables sustainable heritage-led regeneration in your historic urban area. Three main types of building blocks can be used to activate the potential social, cultural, economic and environmental values:

- Sustainable **business models** allow innovative and creative entrepreneurs and businesses to tap into an historic urban area's social, cultural, economic and environmental values, and generate a steady flow of revenue (chapter 2).
- Both the physical regeneration of heritage during the renovation phase, and the business models adopted during the use-phase, need **financing models.** The financing landscape for cultural heritage regeneration has developed extensively over the past decade, and many paths to financing are now open (chapter 3).
- Financing requires **good governance**, including choosing the right governance model, applying risk mitigation measures and utilising public policy opportunities (chapter 4).

You always need the right people at the right places, with the willingness to make things happen.

Irma Langeraert, director of AndersFinancieren

The main building blocks for sustainable heritage-led regeneration.



The business and financing models presented in this guide are primarily based upon cases collected in the **HUB-IN Atlas.** This Atlas features many examples of innovative entrepreneurial initiatives to regenerate Historic Urban Areas throughout Europe. More information on the **HUB-IN project** and heritage-led regeneration of Historical Urban Areas is available in the **HUB-IN Framework.**

There are many answers out there regarding business, financing, and governance models. Chapter one invites you to start asking the right questions.

1. Let's play

What about you? Let's do a warming-up exercise and discover your historic urban area. This will help you connect the business, financing and governance models to your local situation.

A. The playground

1. What does your Hub look like? What are its physical boundaries? Is it a building, a place or an entire area?
2. What is the state of the Hub? What are its current and potential future social, cultural, economic, environmental and infrastructural values?
3. What is the current and desired future ownership?
4. What is the name of the Hub?

B. The players

1. Every great team needs character. Diversity is key. What does your team look like? Are there men and women? Visionaries and reluctant types?
3. Every winning team needs both expertise and experience. Do you have all the experience and expertise required within your team? And if not, can you pay for professionals from outside?
4. Every super team needs stamina. How is the effort required organised? Who makes up the durable core of the team? Who are everyday contributors? And who is part of the wider community?

C. The supporters

1. What is a team without supporters? Who are the key institutions and stakeholders that influence your Hub?
2. How should the key stakeholders be informed and involved?
3. In what ways could they potentially support or oppose your efforts?

D. The tactics

1. Every strong team is able to work together towards a vision. What is the common goal? How do individual motivations line up? Or not? How can everyone's efforts be organised in tasks and task forces?
2. Every solid team needs tactics. What business models are available to tap into the values of the historic urban heritage? What is the approach towards reaching your common goal and subgoals? Are the required actions and objectives specific enough? Measurable? Achievable? Relevant? And time-bound?
3. Every history-making team is able to adapt. What structure of decision-making is the best fit? How can the team remain courageous in making decisions and pragmatic in realising goals?

You are free when you can take in the opposite view fully.

Liesbeth Soer, Director Catalytic Investments, Triodos Regenerative Money Centre

E. The resources

1. What does the investment budget look like? What are the required one-off investments, and what are the recurring costs?
2. What could the financing sources for the investment and running costs look like? Can you get funding and financing only from public and private institutions including banks, or also from the community? What about the wider crowd?
3. What financing and funding models make the most sense? Raising equity? Giving out loans? Revenue streams such as rent? What could be the role of volunteer work, donations and barter trading?
4. Will funders have confidence in your Hub? Is (future) recurring income enough to cover the recurring costs? Is more than one revenue stream possible? Are you able to reduce the risks for investors? For example by securing a guarantee loan?

F. The pillars

1. The team can only exist if it can interact and build upon the world around it. To be able to structurally perform well, a solid basis is essential. The outside world might know the brand, but can they deal with your legal form?
2. What legal form is ideal to optimise formal and informal support and engagement?
3. How does the ownership structure, decision-making processes and liability match the legal forms available in your area?

Are you able to answer some of the questions on the next page? That's good news. If not, no worries. Within HUB-IN we have many answers and ways forward.

All questions above are ingredients of a HUB-IN place. This guide provides the ingredients related to business, financing and governance models. Other HUB-IN resources are available on the project website. The HUB-IN Framework is a good starting point to explore everything HUB-IN has to offer.

Let's play

Grab a piece of paper for each element and sketch your Hub's key characteristics

A. The playground **?**	B. The players **?**	C. The supporters **?**
D. The tactics **?**	E. The resources **?**	F. The pillars **?**

Thank you Open Heritage project!
We like to thank the team behind the Open Heritage project for sharing their lessons learned. This chapter is inspired by their **Financial Guidelines publication** on the adaptive reuse of cultural heritage.

2. Business model catalogue for heritage-led regeneration of Historic Urban Areas

Finding ideas for the old windmill was easy. Turning those ideas into a solid business model was a different story. It was their teacher and mentor who challenged the group of juniors to turn their quest into their collaborative research project for their final school year.

An interview with a climate expert from far away inspired them about the potential of green energy. Then again there were the headlines in the local newspaper warning them about the problem of obesity and unhealthy diets. The group got divided. But when spring came, one of them picked up a flower and confidently stated: 'I have got the solution.'

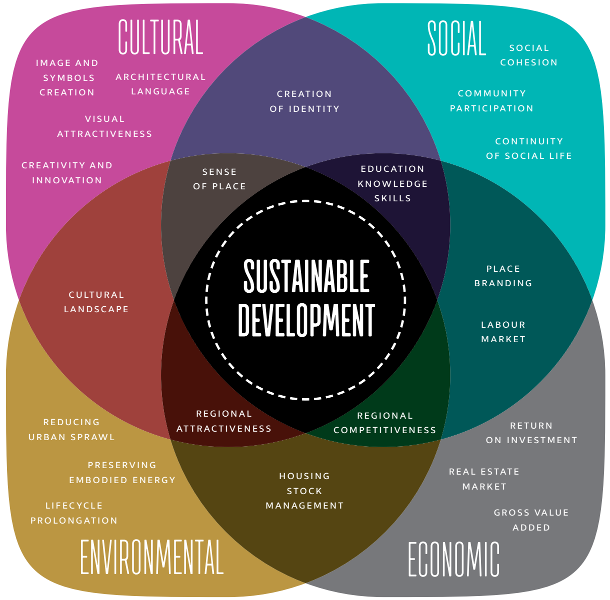
At first it was a crazy idea. Using an actual flower as the inspiration for a business model. Soon enough it started to make sense. Both the energy transition and the quest for healthy food need the energy of the sun and the wind. The windmill could be a food and energy producing education and event centre. As the summer progressed, more and more people started believing in the flower.

Fall was exciting. The renewable energy would basically pay for itself. Renovating the building and starting up the activities required a significant investment. The local schools and city hall would take-up a small portion of this. And then there was the successful Christmas crowdfunding campaign. With over 30 percent of the financing done, everyone was confidently looking to the year ahead.

Success factor for cultural heritage regeneration: autonomy

In various other heritage-related research projects, autonomy came up as a key success factor. Owning the land or having a long-term lease are important elements for this. Equally important are 'soft powers' such as having the right network. For example, finding the creative bureaucrats has enabled other projects to outmanoeuvre bottlenecks. Furthermore, it is recommended to have experts on moderation, financing, legal affairs, tax, architecture and someone who knows about heritage protection.

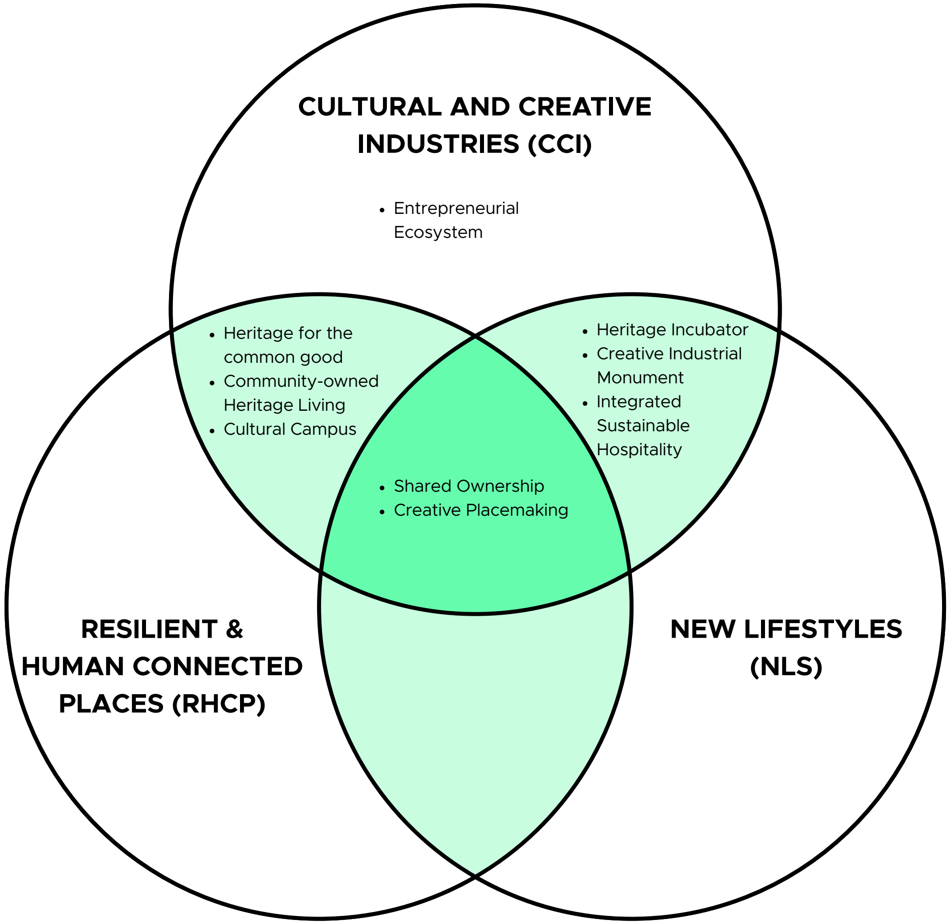

BVDC- Brasov Design Center



Sustainable development

HUB-IN Places find novel ways to utilise their heritage to fulfil emerging needs and market opportunities related to local citizens, local businesses, visitors to the area, or the environment, or combinations of all four. Throughout this process, HUB-IN Places are sensitive to the unique character of their Historic Urban Area, and are mindful of competing demands on their urban space and a diversity of purchasing powers within their citizen base.

The business models presented in this chapter have unique ways of capturing cultural, social, economic and environmental values. To better understand those values we invite you to explore the **'Cultural Heritage Counts for Europe'** report. This 2015 publication provides a clear and evidence-based overview of heritage-related values, and the wide-ranging beneficial impacts of sustainable cultural heritage investments. These are the breeding grounds for the business models that enable heritage-led regeneration of Historic Urban Areas.



Business models in the HUB-IN clusters of innovation

The business models derived from the HUB-IN Atlas, presented in the first part of this chapter, illustrate the status quo of urban heritage regeneration. The Atlas provides dozens of newly collected examples throughout Europe. All cases fit into the **HUB-IN clusters of innovation**:

- Culture and Creative Industries (CCI) encompasses activities that utilise cultural heritage to nurture socio-economic development, including the reuse of traditional skills and industries, the development of novel business models and the attraction of cultural and creative tourism;
- New Lifestyles (NLS) focuses on activities that stimulate new sustainable living patterns that foster inclusivity and diversity and that improve health and well-being in the urban context.
- Resilient and Human Connected Places (RHCP) includes activities focused on the sustainable use of (natural) resources and digital and human connectivity to foster ecological and social resilience at a local scale.

Galerie des Machines - David Gallard

Most cases combine activities from multiple clusters. Many cases focus on Culture and Creative Industries, implying a strong connection between Historic Urban Areas and the creative and artistic sectors. More background information on the HUB-IN Atlas is available in the **HUB-IN State of Play** working paper.

Describing individual and separate business models based on this data seems artificial; instead, we noticed that different cases represent different ‘bundles’ of value (REF) as well as different resources and roles provided, and taken up by different public, private and community stakeholders.

The HUB-IN cases presented in this chapter are described through a (sustainable) business model lens. It leads us to observe relevant patterns in (1) the value(s) they produce, (2) the key activities they embark upon and (3) the resources that public, private and community actors provide that (together) enable heritage-led regeneration of Historic Urban Areas. We focus on describing exemplary HUB-IN cases that illustrate how heritage-led regeneration of Historic Urban Areas is realised by combining business model components in creative ways. You can explore the various cases provided in further detail in the Atlas.

The second part of this chapter provides additional business models derived from related projects. When exploring the examples in this chapter you are invited to ask yourself: which of these models could work in my historic urban area, and how can they combine?

Key activities			
	Renting of living and/or commercial spaces	Tourism	Social
			Environmental
			Cultural
	Retail and other economic activities	Arts & cultural activities	Economic

Community-owned Heritage Living

Visit the HUB-IN Atlas to learn more about this case.

Pax – Patios de la Axerquia

Córdoba
Spain

Historic patio-houses in the city center of Cordoba which can be traced back to Andalusian origins and enjoy UNSECO World Heritage status.

Key activities

Value created (social, environmental, cultural, economic)

- Affordable housing and social cohesion.
- Climate adaptation with traditional architecture.
- Preserving Cordobese patio-culture, yearly festival.
- Generate local micro-economy.

Key resources (time, money, space, regulatory support)

Community
The patio-houses are acquired, renovated, inhabited and managed through citizen-led cooperatives supported by the PAX association.

Public
UNESCO World Heritage recognition of (im) material heritage, otherwise no concrete public support.

Private
An ethical local bank provided a loan to the cooperative to buy the patio houses.

Value Highlights

Inclusive
PAX aims to combat gentrification and touristification, offering inclusive and affordable living for local residents.

Circular
Historic and nature-inclusive architecture provides a natural, climate-neutral cooling system to combat the urban heat effect.

Heritage Incubator

Visit the HUB-IN Atlas to learn more about this case.

Hub Criativo Beato

Lisboa
Portugal

An industrial complex re-generated into a creative-technological ecosystem. Located in a deprived neighbourhood close to the city centre of Lisbon.

Key activities

Value created

(social, environmental, cultural, economic)

- Positive impact on urban, economic and cultural regeneration in a socially and economically disadvantaged area of the city.
- Located in an energy efficient building that is integrated into an entrepreneurship community.
- Industrial heritage preserved employing the best environmentally sustainable practices.
- Entrepreneurship hub that attracts and retain new talent.

Key resources (time, money, space, regulatory support)

Non-profit
Startup Lisboa, a private non-profit association, manages the site.

Private-public
Municipality bought the space. Tenants can pay rent in-kind (through renovating their spaces).

Public
Led by the non-profit sector, public authority guarantees the provision of the necessary infrastructures for the functioning of the building complex.

Value Highlights

Heritage preservation
Each building has a concept fitting with the overall concept, where the history and cultural tradition of the buildings are preserved.

Employment
The hub is estimated to create three thousand new jobs.


Facebook Hub Criativo Beato

Facebook Hub Criativo Beato


Facebook Hub Criativo Beato

Shared Ownership

Visit the HUB-IN Atlas to learn more about this case.

ExRotaprint

Berlin
Germany

Based in 10,000 m² former industrial complex that is listed as a monument since 1991. Through a unique form of ownership, ExRotaprint rents out the space to a heterogenous mix of organisations in the manufacturing industry, social institutions and creative people.

Key activities

Value created (social, environmental, cultural, economic)

- A long-term place with affordable rents for a heterogeneous group of organisations.
- Long-term commitment to renovation and maintenance of the heritage site.
- Development of artistic and social activities in line with community needs.
- All profits are reinvested on site, preventing outflow from capital to private pockets.

Key resources (time, money, space, regulatory support)

Community
Tenants have organised bottomed up through a non-profit organisation and a tenant's association and manage the site themselves.

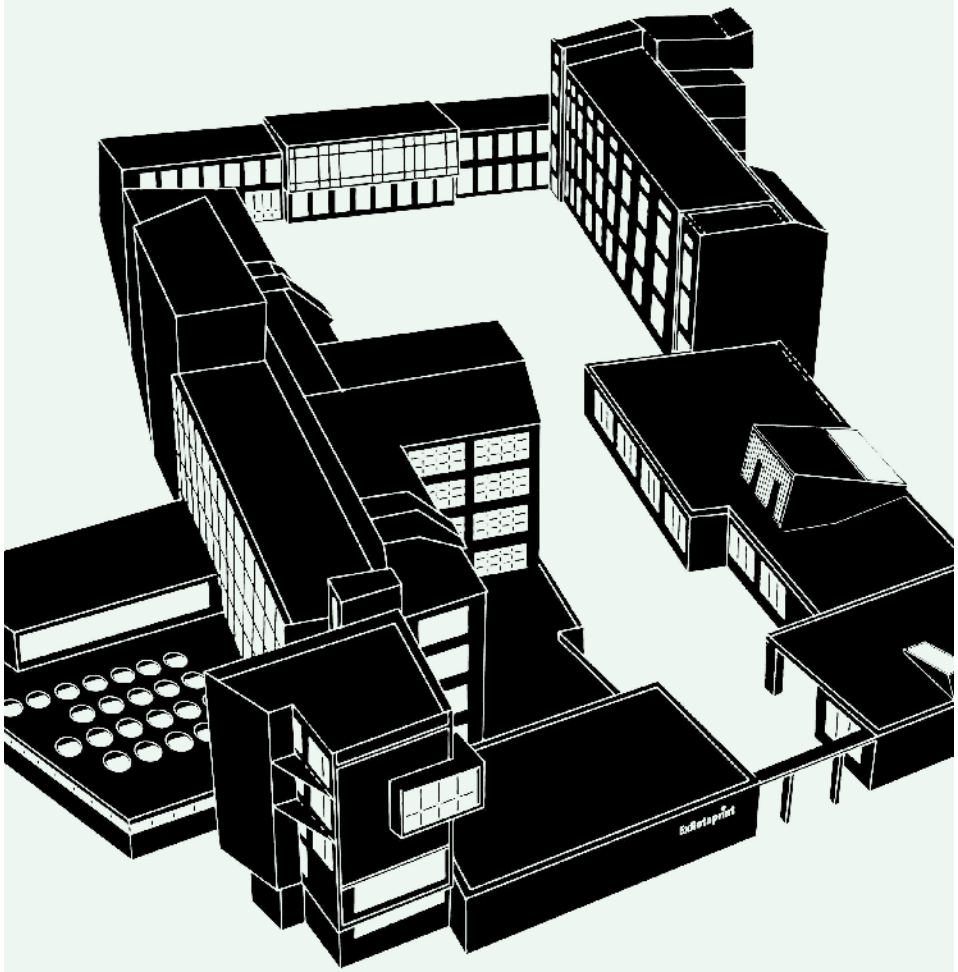
Foundations
Two foundations, both aimed at preventing speculation with land, have provided resources for the acquisition of the heritage building.

Private
A mortgage from a pension trust that invests primarily in sustainable real estate projects has contributed to renovation activities.

Value Highlights

Sharing profits
In paying a return on investment to the two foundations who financed acquisition of the building, ExRotaprint contributes to their long-term sustainability as well.

Alternative ownership
A ninety-nine-year land lease with heritable building right contract facilitates a unique form of ownership that prevents resale of the land.



Grafik ExRotaprint GmbH

Creative Placemaking

Visit the HUB-IN Atlas to learn more about this case.

Soho - The Art District

Málaga
Spain

The Art District is located in the neighbourhood Ensanche Heredia. A combination of re-utilizing abandoned historic buildings, improvements to the public space, and support to the creative industries have led to a buzzing creative area full of cafes, galleries and art spaces in this once deprived neighbourhood.

Key activities

Value created (social, environmental, cultural, economic)

- A renewed identity for the area and its residents.
- Recovery and reuse of abandoned heritage buildings.
- Increased space for artistic and cultural expression, attracting top-level national and international artist to the district.
- A lively area filled with cafes, galleries and art spaces, increasing jobs and visitor numbers in the area.

Key resources (time, money, space, regulatory support)

Community
Residents and business owners formed an association, and came up with the idea of creating a cultural district in order to give new life to the neighbourhood.

Private-public
A collective Masterplan was created, including public and private partners, as well as residents, in order to materialize the Art District.

Public
The local municipality supports the initiative and facilitates budget, also from the European Union.

Value Highlights

Existing culture
Existing arts and culture form the basis for the Arts District, and are build upon and extended through the initiative.

Branding
The Soho Art District is an integral part of the national and intenternational branding strategy of Málaga.

Heritage for the Common Good

Visit the HUB-IN Atlas to learn more about this case.

Kultur im Turm e.V. (Kitev)

Oberhausen
Germany

The 33-meter high Oberhausen watertower, built in 1897, is a protected monument. Nowadays, it is a space where interdisciplinary artistic projects are developed and executed, as well as social projects, exhibitions and events.

Key activities

Value created (social, environmental, cultural, economic)

- Increased social cohesion.
- Re-use of protected heritage.
- Reinvigorated local art scene.

Key resources (time, money, space, regulatory support)

Community
The artist collective kitev manages the initiative, and together with volunteers, has renovated the building.

Public
A federal state programme aimed at supporting citizen initiatives has provided 80% of necessary funding for renovating the building.

Private
German railway company owns the building and provided a 20-year rent-free contract on the condition that the space is used for artistic activities.

Value Highlights

Networks
The watertower acts as the contact point for artistic residencies in the area, bringing new ideas and networks into the area.

Community engagement
Kitev promotes engagement of the local community in order to fulfil social and cultural needs of the town.

Entrepreneurial Ecosystem

Visit the HUB-IN Atlas to learn more about this case.

Nod Makerspace

Bucharest
Romania

An old cotton factory where local entrepreneurs established an entrepreneurial hub with a social goal.

Key activities

Value created (social, environmental, cultural, economic)

- A public center for meeting and civic engagement.
- Re-using assets and spaces.
- A space for local artists and craftmanship.
- A self-sustaining hub for the local economy.

Key resources (time, money, space, regulatory support)

Community
Initiated by a collaboration of 25 small entrepreneurs who invested time and money.

Wider Community
Crowdfunding is used to engage the wider community and finance new initiatives such as a materials library.

Private
Financial and non-financial contributions are accessed through partnerships with large businesses.

Value Highlights

Community power
Nod Makerspace acts as a support organization that strengthens local networks, the diffusion of knowledge, and thus reinforces the local entrepreneurial culture.

Circular
Ecosystem thinking enables sharing between stakeholders, and doing more with less.

Cultural Campus

Visit the HUB-IN Atlas to learn more about this case.

C-Mine

Genk
Belgium

This former coal mining complex, deactivated in the 1980s, has been turned into a cultural, recreational and innovation campus.

Key activities

Value created (social, environ-mental, cultural, economic)

- Renewed purpose and identity.
- Adaptive re-use with respect for heritage value.
- Valorisation of industrial cultural heritage through museum activities.
- Diversified economic activity.

Key resources (time, money, space, regulatory support)

Public funding
Several EU, national, regional and local public funding streams were combined, among others by designing an Integrated Territorial Instrument (ITI).

Public-private
The municipality has designed a vision for the area and cooperates with a range of public and private partners in executing this.

Public support
A programme of tax incentives and subsidies was designed to convince creative companies and academic institutions to settle in the area.

Value Highlights

Innovation
Innovative and creative entrepreneurship are stimulated, among others through a business incubator and a fab-lab on site.

Income
Income is generated through heritage-based activities, like the mining museum, as well as through cultural and educational activities hosted on site.


Stad Genk


Majobas2

Integrated Sustainable Hospitality

Visit the HUB-IN Atlas to learn more about this case.

Stamba Hotel

Tbilisi
Georgia

A former soviet publishing house in the city center. An example of how entrepreneurship can aid sustainable community development.

Key activities

Value created (social, environmental, cultural, economic)

- Strong focus on community development.
- Hotel supports sustainable agriculture.
- Heritage blended in the building and the activities.
- Creative local industries are supported directly.

Key resources (time, money, space, regulatory support)

Community
The hotel thrives upon its local community consisting of the arts scene and innovative sustainable entrepreneurs.

Partnerships
Local organisations such as Space Farms and the Tbilisi Photography and Multimedia Museum, are housed in the hotel.

Private
Run by the Adjara Group, a hospitality provider that aims to create sustainable tourism.

Value Highlights

Circular
The first urban vertical farm in the region, is based in the hotel and provides fresh vegetables to the hotel's restaurant and to local businesses.

Cultural heritage
Excellent heritage preservation. Many original features, like the conveyor belt that used to transport the newspapers through the factory, still in place.

Stamba Hotel

Stamba Hotel

Stamba Hotel

Creative Industrial Monument

Visit the HUB-IN Atlas to learn more about this case.

Meatpacking District

Copenhagen
Denmark

The Meatpacking District is a former municipal establishment focused on the local supply of meat and pork. Parts of the district are considered national industrial monuments.

Key activities

Value created (social, environ-mental, cultural, economic)

- Renewed identity for the area.
- Adaptive re-use of national heritage.
- New function for monu-mental district drawing on traditional industries.
- New business opportunities due to increased visitor numbers.

Key resources (time, money, space, regulatory support)

Protected heritage
Part of the district, of which most is owned by the municipality, is a protected national monument.

Public-private
Through long-term leases crea-tive and gastron-omy businesses were encouraged to establish in the area.

Public support
The municipality launched the programme "Meat and creativity" to attract creative industries.

Value Highlights

Identity
The combination of tra-ditional food processing industry and contem-porary creative sectors has resulted in a unique atmosphere and renewed identity.

Building on
The municipality is planning further development of the wider neighbourhood to create a multi-purpose and self-sustainaning neighbourhood.


Wonderful Copenhagen

The waving cat

Additional business models

The business models above have been found in the cases that we studied in the HUB-IN project, representing real cases in the urban heritage context. When exploring other related projects we have come across other potentially valuable business models for heritage-led regeneration. These are described in this section.

The experience economy

Consumer preferences are changing. Increasingly people want enriching and memorable experiences. Cultural heritage owners can explore 'heritage as a service' business models and become a platform for organisations from other sectors to provide such experiences. Think of weddings and product launches. Education, hospitality, creative businesses, vocational training institutions, gaming, retail, care and well-being are all promising partners for heritage sites.

Values
Cultural, economic
Activities
Entrepreneurship + tourism
Key resources
Private

- **Time machine** for example, aims to use big data to add an historic economic, social and cultural layer to geographical spaces, allowing for entirely new online and offline visitor experiences.

- **The Whitworth Art Gallery** in Manchester offers breakfasts, lunches, and evening meals prepared by award-winning chefs. Recently a visiting art duo launched 'becoming a Climavore' allowing visitors to eat in a way that supports the climate.

- **The Boutique des Musées** is an example of a national initiative of a platform bringing together various offers, services and products offered by museum shops.

The cultural sector needs to innovate its language to be able to attract financing. The story needs to be told well. This would be a big step forward.

Martijn Arnoldus, founder of Social Finance Matters

Heritage community tax

Local actors performing economic activities on a heritage site benefit from their unique surroundings. Heritage community tax refers to models where a slice of the rental income, or a part of the turnover of local companies is reinvested in the local heritage.

Values
Cultural + economic
Activities
Entrepreneurship + tourism
Key resources
Private

- **'Monument Rent'** by local and state governments in Croatia, is an innovative form of profit generation from direct or indirect use of built heritage. It entails both direct and indirect rental income from organisations conducting economic activity on the heritage premises. The profit generated is exclusively devoted to the protection of heritage.

Introducing an alternative currency could be a way to make the value tangible.

Liesbeth Soer, Director Catalytic Investments, Triodos Regenerative Money Centre

Additional business models

Monetising intellectual property

Monetisation of intellectual property assets by heritage organisations concerns the use of Intellectual Property assets for funding. Common examples of these practises are the production and distribution of tangible products associated with the heritage site such as image licensing, trademarks and co-branding, heritage site production or distribution of content. Non Fungible Tokens open up a whole new opportunity as digital art pieces can now become exclusive, unique and tradeable at auctions.

Values
Cultural + economic
Activities
Entrepreneurship + culture
Key resources
Private

- **The New Museum** promotes the 'From Black Boxes to Open Systems' **knowledge-sharing initiative** by Rhizome. The project aims to provide a better understanding of the concepts, skills, and infrastructure necessary for the exhibition, collection, and stewardship of born-digital art.

- **The Kabuki Gallery** translated part of its artwork to the online world. Using Non Fungible Tokens the art can now be sold to digital art collectors. Just like Bansky's 'First 5000 days' and Damien Hirst's 'Fanciful Currency' did recently.

Regular financiers don't know a lot about citizen collectives and their potential value.

Tine de Moor, Professor Social Enterprise & Institutions for Collective Action, Erasmus University Rotterdam

Subscription schemes

Adding a stable source of income increases the resilience of the business model. In return for a recurring fee, 'members' can access additional perks such as priority booking and access to exclusive events. Common examples are friend schemes, season tickets and subscriptions. Patronage is an example that involves substantial contributions in return for free access to the heritage site and the professionals involved. Patrons may also be involved in restoration projects.

Values
Economic + social + cultural
Activities
Entrepreneurship + cultural
Key resources
Community

- **The Brussels City Museums** offer citizens the opportunity to become Patrons. Each patron pays an annual fee and receives personal updates about exhibitions and events.

- **The National Gallery of Ireland** has a circle of 'Friends' who have unlimited free entry to all exhibitions, discounts, early booking, exclusive access to digital content and the first opportunity to acquire new artworks. There is even an annual festival to celebrate the community called 'Friends Fortnight'.

Stepping away from the traditional vocabulary can create space to make things happen. Think about spaces and users instead of real estate and renters.

Liesbeth Soer, Director Catalytic Investments, Triodos Regenerative Money Centre

Additional business models

Land Value Capture

Land values may increase over time, usually due to a growing interest in a region or location. Value uplifts can occur when new public infrastructure projects happen, and when urban regeneration activities are taking place. Re-zoning by the government can also result in a sudden value increase. In Land Value Capture, (part of) the business model is built upon the expected increase in land value. Governance arrangements can allow different stakeholders to benefit. More information is available in the financing models chapter.

Values
economic + social
Activities
entrepreneurship + cultural + social + environmental
Key resources
community + public

- **The Citymaker-Fund** buys land or real estate and rents or leases it out to citymakers at an affordable rent. Real estate value tends to increase due to the citymakers' efforts. The fund uses this increase for its operations but more importantly to help the efforts by citymakers grow. For example, through the FAIR-lease, where the increased value is shared between the citymakers and the fund.

- **The Copenhagen City & Port Development Corporation** is a publicly owned privately managed entity that leverages public assets through Land Value Capture.

With community ownership, affordability and sharing economy become possible. Because the ownership and value speculation can get out of the equation, the focus can be on creating value the best possible way. For example by providing property at a fixed price, and coupling the price to inflation to determine the worth X years later. It opens the door for new forms of local ownership and sharing. If enough people want this, you can make it happen.

Theo Stauttener, partner at Stadkwadraat, co-initiator of the Citymaker-Fund

Ownership of assets is vital because it provides the community with the security of the asset.

Richard Harries, Former Director of R&D, Power to Change Trust

3. Financing model catalogue for heritage-led regeneration of Historic Urban Areas

Melvin Bertelkamp / Unsplash.com

For a year it had seemed like nothing would happen with the old windmill. Months after a successful Christmas crowdfunding campaign, no institutional funder was willing to join. Even after the farmer's market signed an intention letter to rent the space twice a week. The youngsters were at an all-time low. It was Jane, a passionate project manager at city hall who kept the blades spinning.

Jane had a friend at the local bank. She arranged a meeting with her friend's colleague at the bank's SME department. There were many surprised faces when Jane walked in with a colourful group of teenagers. They presented the Flower Foundation and their plans for the mill. Right during that pivotal moment after the presentation Jane stepped in. 'You know the crowdfunding campaign and a subsidy already account for 32 percent of the required financing?'

Within the same week Jane walks into the office of the local alderman for economic affairs. She puts a photograph of the high school students and a smiling bank representative on her desk. 'If city hall can provide a guarantee on 50 percent of the loan, the bank is ready to make their investment into the windmill.' Late spring, city hall agrees and spirits are high at the summer break party of the local school.

Every story is unique when it comes to the heritage-led regeneration of Historic Urban Areas. This is clearly visible in the business models presented in the previous section. The value generated by Historic Urban Areas is diverse and spread out over various local and regional stakeholders. This provides both opportunities and challenges for financing. Realising funding remains challenging.

Early 2021, the European Commission's expert group on cultural heritage stated that it 'may be misleading to apply the objective of economic sustainability to cultural heritage sites and institutions, in pure economic and budgetary terms.

Novel opportunities emerge as the heritage regeneration financing landscape evolves. When looking at past and current projects, financing comes predominantly from classic public and private funding sources. Yet as we will discover further in this chapter, crowdfunding and community funding are increasingly becoming a part of the funding mix.

HUB-IN Places dare to experiment with new financial structures, combining traditional public funding streams with other (private) sources of funding. In creating novel financial structures, HUB-IN cities carefully balance potential shifts in the distribution of power and influence, contributing to their city's inclusive and sustainable development.

This chapter starts with an overview of illustrative financing models derived from the HUB-IN Atlas. These provide fresh insights onto the status quo of financing models for heritage-led regeneration of Historic Urban Areas. You can explore the various cases provided in further detail in the Atlas.

The second part of this chapter provides complementary financing models. It builds upon desk research and interviews with experts on promising financing models for heritage regeneration. The Heritage Finance Ecosystem presented is a starting point for exploring the many funding and financing opportunities that are present today.

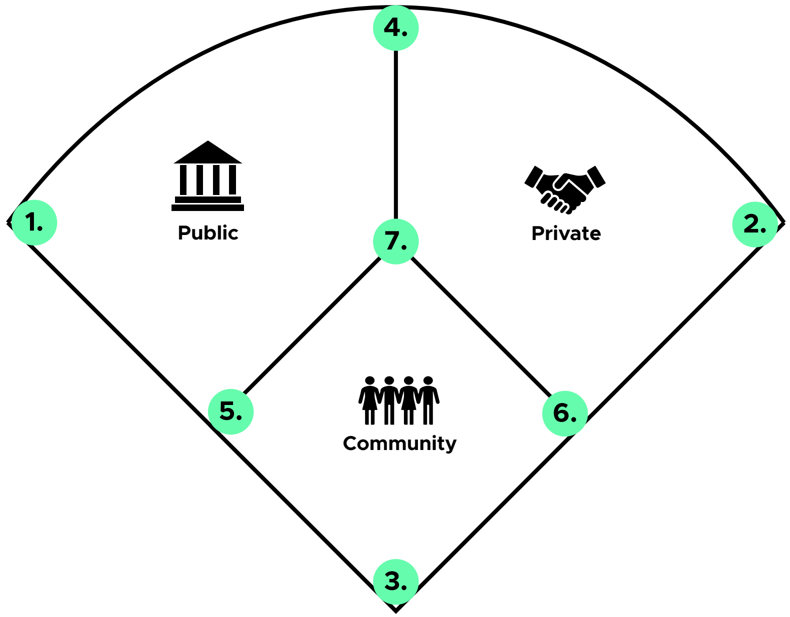
Bordeaux Recentres

1. https://ec.europa.eu/culture/document/background-paper-and-selected-good-practices-march-2021

Illustrative financing models (from the HUB-IN Atlas)

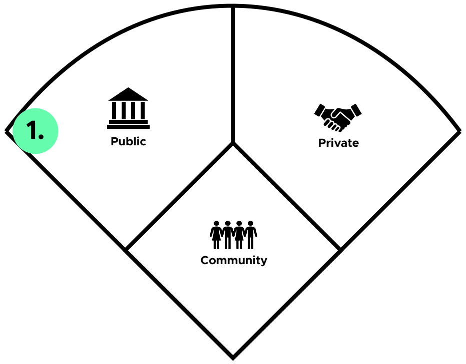
Rule number one when it comes to financing urban heritage regeneration is that there usually is a mix of financing and funding sources. Co-financing is the norm. The main financing sources are public, private and community funding, including crowdfunding. These are explained in the second part of this chapter. Based on the first 40 cases collected in the HUB-IN Atlas we observe that almost all cases receive some form of public funding, half of all cases receive private funding and about a quarter of the cases receive some form of community funding.

Financing sources	Description
Public funding	Public and private institutions invest, seeking profit and/or impact.
Private funding	Private institutions invest, seeking profit and/or impact.
Community (& crowd) funding	Investors know each other directly, are engaged and share a common goal or place. This can be supplemented by crowd-funding, here: small amounts of money are raised from large amounts of people to fund something.
Co-financing	Public-, private-, community- and crowdfunders finance a project or organisation together.



The illustrative financing models displayed on the following pages provide a good overview of the diversity of funding options found in practice. For each financing source and form of co-financing we provide a cluster of real-life cases based on the HUB-IN Atlas. Each cluster provides insights into how the financing sources can be applied in practice. The cases within each cluster provide summarised information on specific instruments used. They are not meant as a complete representation of what financing heritage-led regeneration could look like. Instead they provide a snapshot of good practises observed today.

1. Public (only) investment



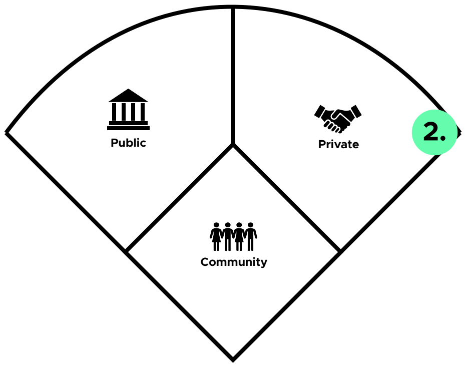
Public actors, particularly local authorities, remain key actors and financiers of regeneration in our HUB-IN cases. Such public investment is often injected in an area or neighbourhood (not a building) level, aiming to deliver wider economic, social, cultural and sometimes also environmental benefits. We also find examples of multi-level public (only) investment, attracting funding from different governance levels between the EU and the municipality.

Financing instrument	**Description of instrument**	**Example of use in heritage context**
Government-led regeneration investment	Public institutions can provide the initial investment to kickstart urban regeneration in an area.	In Lisbon, the city council invested 18 million euro to regenerate an industrial site, attract start-ups and well-known innovative brands and provide a wider impulse to the city. **Link** In Copenhagen, Denmark, earmarked public budget was used to transform the old Meatpacking District into a creative urban area. **Link**
Multi-level public investment	Funding is combined from various public sources, including municipal, regional, national and EU-level funding.	In Bordeaux, France, funding attached to a national programme for the regeneration of old degraded neighbourhoods was combined with local funds. Aiming to regenerate and revitalise the degraded city centre by giving citizens better living conditions and promoting social mixing. **Link**

Keeping everyone on board when many different people and stakeholders are involved is a deciding factor. The financing needs to be structured in such a way that everyone gets something out of it.

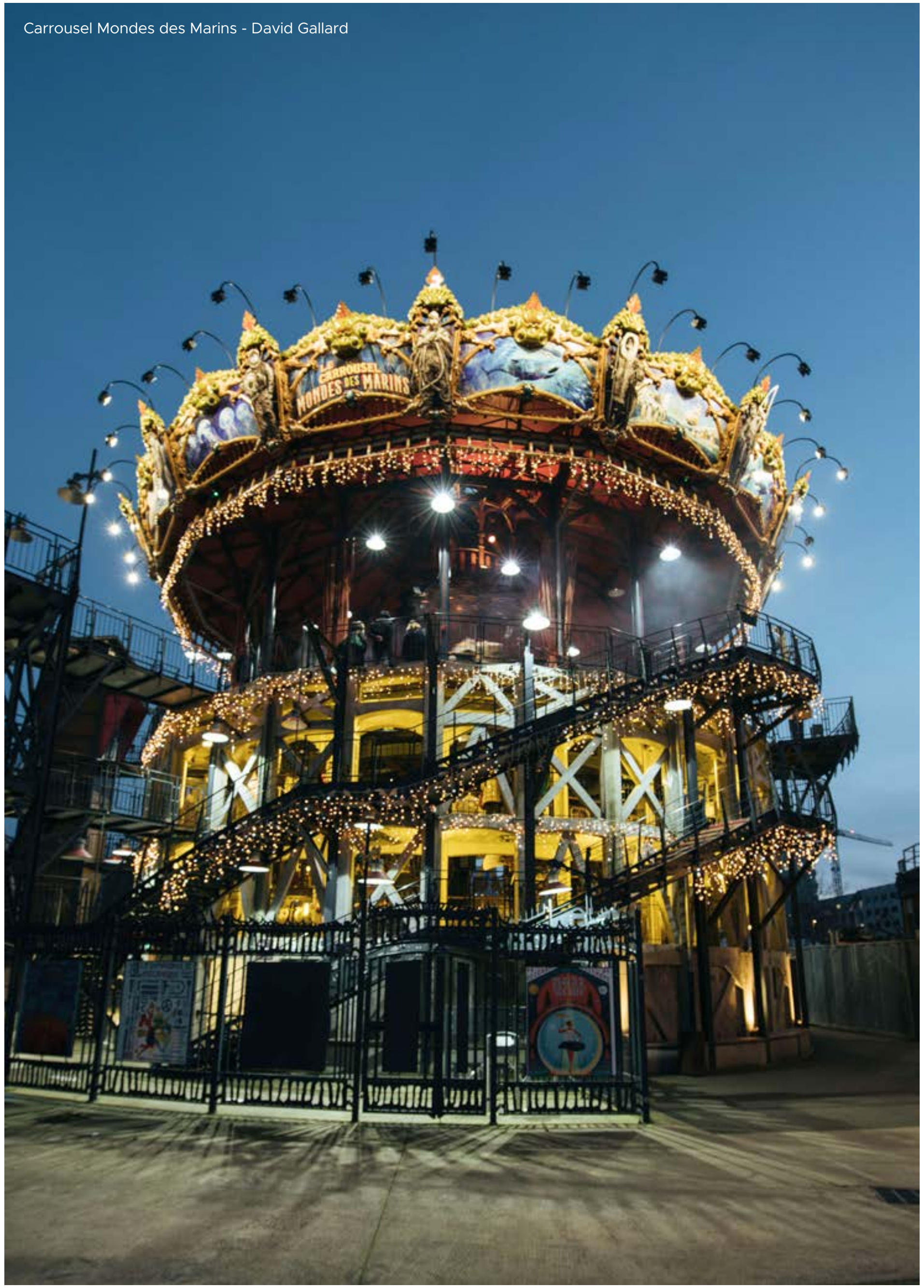
Irma Langeraert, director of AndersFinancieren

2. Private (only) investment

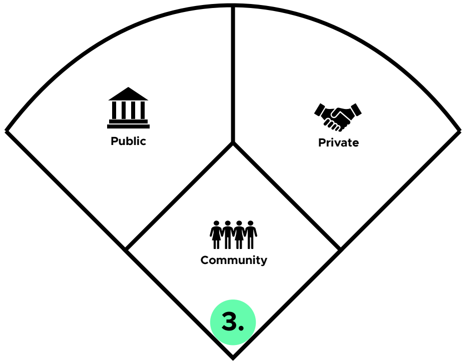


Private actors, such as project or area developers and banks finance the regeneration in some of our HUB-IN cases. Such private investment is often coupled with a clear business model such as renting out homes or hotel rooms. Wider economic, social, cultural and sometimes also environmental benefits do play a role.

Financing instrument	**Description of instrument**	**Example of use in heritage context**
Private-led regeneration investment	Private institutions can provide the initial investment to kickstart urban regeneration in an area.	In Tbilisi, Georgia, the Adjara Group has restored and converted a former publishing house into a hotel, event space, exhibition and urban farm. Through this unique blend, the Adjara Group Holding aims to accelerate the national economy. Funding was realised with financial support from the Bank of Georgia. **Link** In London, United Kingdom, an international real estate organisation called Vastint, with the intention to create long-term value through property investments, utilised a range of architectural studios and designers to redesign the area of Sugar House Island. **Link**


Carrousel Mondes des Marins - David Gallard

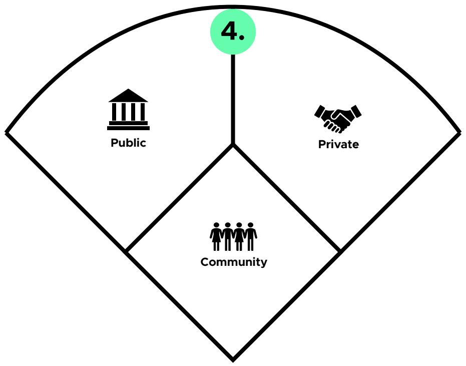
3. Community funding for affordable living in heritage buildings



Several of the cases in the HUB-IN Atlas are aimed at the realisation of affordable housing/living in heritage spaces, often alongside other social/cultural activities. In these cases, we identify several financing instruments/mechanisms that are implemented to realise such affordable living. All of these arrangements are community-based.

Financing instrument	Description of instrument	Example of use in heritage context
Community-backed mortgage for co-living	A community jointly provides the collateral for getting a mortgage for a heritage building, for example for (co-)living	In Vienna, Austria, the purchase of the site of the Sargfabrik (1 million euros) was financed by a 25 year mortgage, with collateral provided by members of the association. **Link**
Housing cooperatives	Housing co-operatives are established as an alternative to property ownership and rental agreements for heritage buildings. They are aimed at acquiring and making heritage buildings available for permanent residence for local citizens (as opposed to touristic usage / rental).	In Cordoba, Spain, the PAX association supports groups of citizens to set up housing cooperatives, to acquire, renovate and inhabit patio houses (versus touristic gentrification). PAX operates as a neighbourhood association that unites housing, rehabilitation, and service cooperatives to generate a local microeconomy. **Link**
Internal social fund	A community-owned fund that provides subsidies for its members where needed in support of a socially inclusive communal living space in a heritage building.	In Vienna, Austria, the community that runs the Sargfabrik has devised its own social fund, to support those who cannot afford to live in the Sargfabrik through their own means, in line with its social inclusion objectives. **Link**

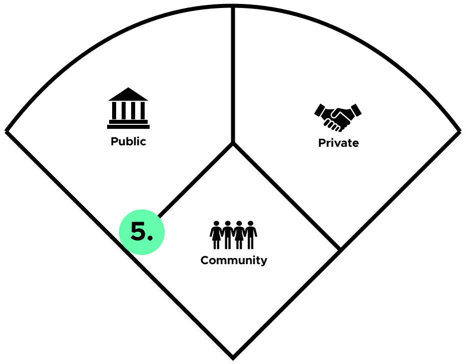
4. Public & private earmarked investments (cultural, social, environmental)



In several cases, we identify access to funding that is specifically earmarked for social/cultural impact objectives. Financial resources are leveraged based on specific objectives of the financier. In particular, we find funds that are earmarked for cultural heritage regeneration (here's an overview of EU funding sources for cultural heritage), but in some cases, finance is also obtained due to social benefits, such as social cohesion or wellbeing, that are realised as part of the HUB-IN case. In one case, renewable energy subsidies are employed, earmarked at environmental goals, and providing income for church renovation.

Financing instrument	**Description of instrument**	**Example of use in heritage context**
Earmarked social/ cultural lending	Some financial institutions offer loans and investments specifically for certain social and/or environmental purposes, from which heritage projects can obtain funding.	In Łódź, Poland, financing provided by the Social Development Bank for Europe (CEB) played an important role in realising the New Centre of Łódź. The CEB financing facilitated the implementation of the city's investment programme to improve the well-being of local populations and reinforce urban social cohesion. **Link** In Cordoba, Spain, an ethical, cooperative bank financed the initiative's initiation phase (described above under 'housing cooperatives'), even though the initiative does not generate revenue. **Link**
Local cultural fund	Fund that collects public and private funding that is then re-invested into selected cultural innovative projects that are to be developed in the specific area that contributes to the development of the urban culture.	In Eindhoven, The Netherlands, Strijp-S developed the 'Cultuurfonds Strijp-S' a fund set up in 2008 to financially support initiatives that strengthen the profile of Strijp-S (mainly focused on arts, technology and/or innovation). Yearly contributions are made to the fund by both public and private actors, such as Stichting Trudo, Gemeente Eindhoven, Woonbedrijf, VWS bouw en vastgoed, and Spoorzone (Railways). Interested parties can submit a proposal to the fund and are selected based on their contribution to the 'image'/culture of the neighbourhood. **Link**
Energy renovations subsidies	As part of the regeneration of heritage buildings, the use of renewable energy subsidies (e.g. for solar panels, insulation) can be used to generate a future income stream or cost reduction.	In Loos-en-Cohelle, France, the church's renovation with solar panels enabled to save on the costs compared to a classic renovation with slates on the roof. Made possible with subsidies from the French state and EU funding (ERDF). The produced electricity is sold to ENERCOOP (an energy cooperative) for 0.13 euro/kWh. Thanks to the production and sale of renewable energy, the town earns 5.000 euro a year. **Link**

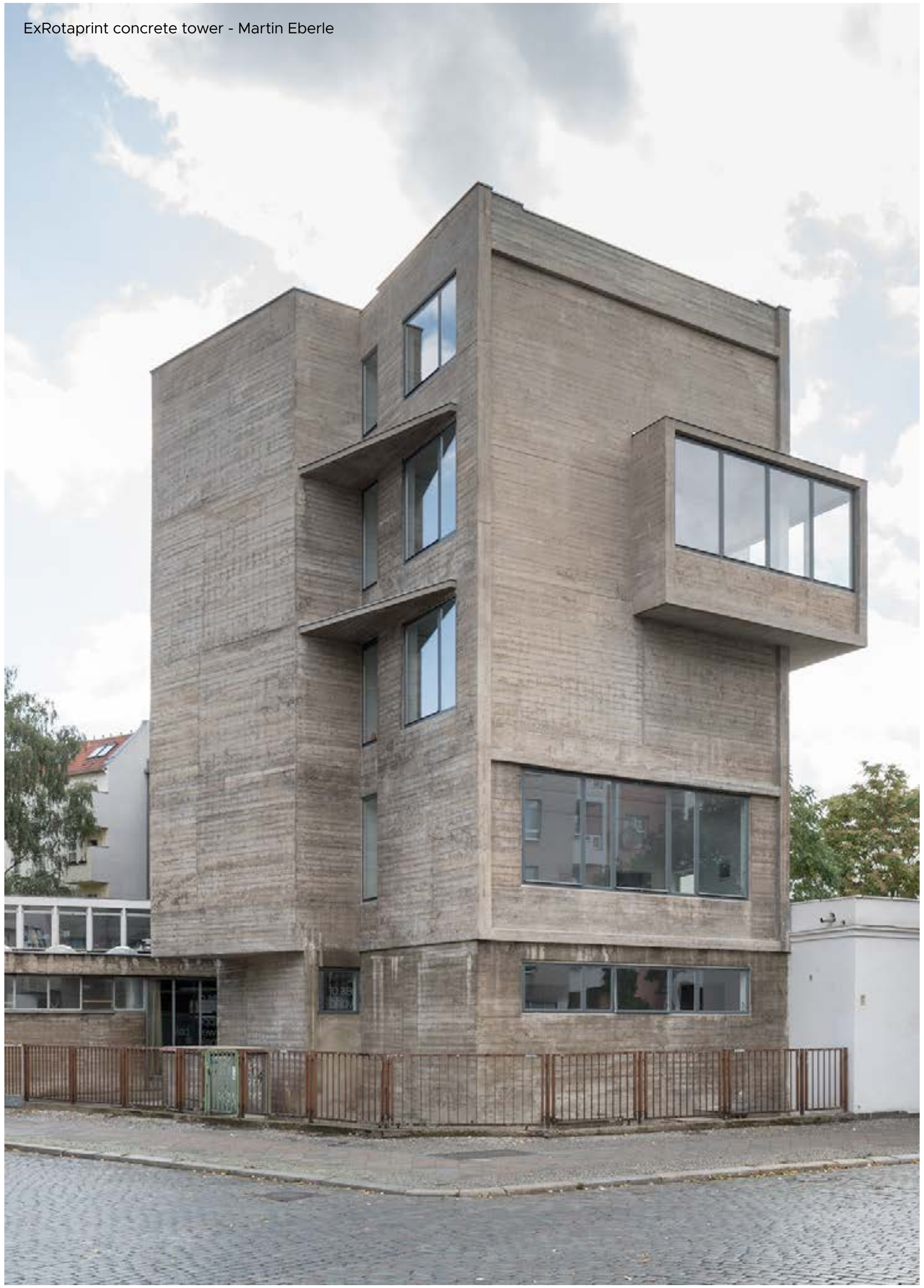
5. Public and community “bootstrapping” arrangements that lower costs



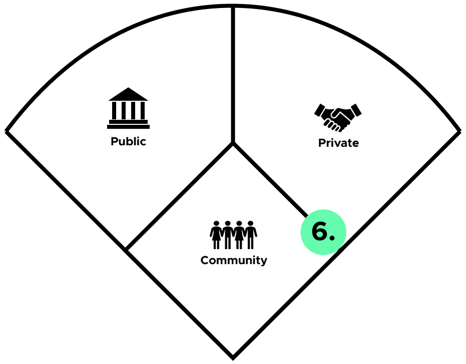
To support the realisation of urban regeneration initiatives, ‘bootstrapping’ methods - obtaining resources at low or no cost - are frequently employed to reduce the need for upfront financing and to make it easier to sustain low budget cultural/social activities. While not officially a ‘source’ of finance, bootstrapping arrangements are often mentioned in the finance literature as a way to address financing needs. In the context of HUA’s we find that municipalities offer low/no rent for government-owned space, community members and users provide their time and effort to support the implementation or maintenance of a HUA space, and local companies offer their products and/or services at low/no cost.

Financing instrument	**Description of instrument**	**Example of use in heritage context**
Low rental rates from municipality	In support of urban regenerations, rental rates are often lowered or waived to allow for a diverse, inclusive use of heritage space	In Naples, Italy, Scugnizzo Liberato grants local citizens free use of an empty church building owned by the municipality, to support creating a youth cultural centre. **Link**
In-kind contributions	Building owners may provide long-term rent-free contracts if positive impacts are achieved. People may provide their time for free to support those impacts.	In Oberhausen, Germany, a group of artists turned an old water tower into a cultural and artistic laboratory. Volunteers contributed with ‘brain and muscle.’ The owner provides a 20-year free rent contract. **Link** In Bucharest, Romania, NOD Makerspace (Romania) attracts in-kind contributions, such as free PR-advice, from locally active companies. **Link**
In-kind rental payment	Tenants that provide in-kind resources temporarily instead of paying rent (or lowered rent)	In Lisbon, Portugal, Hub Criativo Beato (Lisbon) allowed the costs of renovation to be insured by the tenants. They were exempted from paying rent until the renovation investments were paid. **Link** In Naples, Italy, Scugnizzo Liberato does not require tenants to pay rent, but instead they are expected to participate in management and maintenance tasks. **Link**

Financing instrument	**Description of instrument**	**Example of use in heritage context**
Trade credit	Suppliers allow the users, owners, tenants and/or entrepreneurs to pay their bills at a later stage when income starts coming in, which frees up cash flow and reduces pre-financing needs.	In Lisbon, Portugal, the Largo Residências cooperative operates a hostel, hotel, artist-in-residence, café and shop in the Intendente neighbourhood in Lisbon. The cooperative made an agreement with the construction company to pay the construction costs when operational revenues started to come in. **Link**
Community currencies	Establishing a local currency to boost a local economy that can help finance heritage-led regeneration.	In Bratislava, Slovakia, a civic association called the 'Alliance Old Market Hall' operates the old market hall. They established a community currency that is used to pay for local products and attending events. The surplus is invested in the building. **Link**


ExRotaprint concrete tower - Martin Eberle

6. Entrepreneurial community investments



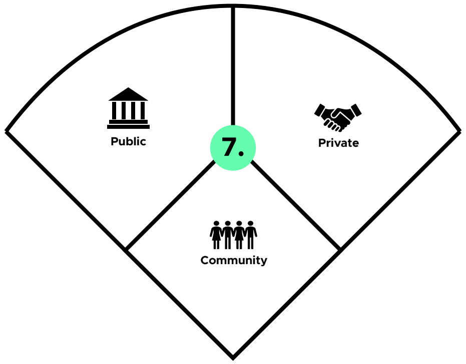
In quite a few cases, private funding from the local community - ranging from entrepreneurs to citizens and tenants - enables the realisation of the HUB-IN case as well as driving profits that can be reinvested into the area. Oftentimes, this type of funding comes with clear objectives on how the area should be developed and sometimes is realised as an alternative financing method to mainstream, commercial development of the area.

Impact investors invest in impact. In practice, cultural value does not resonate with impact investors. It's about what is happening at the heritage locations. If there is a clear societal challenge addressed, impact investors are more keen to participate.

Martijn Arnoldus, founder of Social Finance Matters

Financing instrument	Description of instrument	Example of use in heritage context
Equity-funded regeneration	Private investment by local entrepreneurs into areas that need regeneration to realise flourishing local cultural/creative hubs.	In Bordeaux, France, the Darwin ecosystem was redeveloped by local users and entrepreneurs. Its redevelopment is only funded for 6% by public sources. Profit is realised through activities (co-working spaces, community gardening, events) and reinvested in maintenance and activities, and redistributed to shareholders. **Link**
Crowdfunding	Collecting funds from a community through crowdfunding. In crowdfunding money is raised from a large number of people, who each contribute a relatively small amount.	In Bucharest, Romania, NOD Makerspace ran several crowdfunding campaigns to finance different elements of the initiative, such as the materials library and specific projects (i.e. MATER, which is considered to have put together the largest crowdfunding campaign in Romania). **Link**
Tenant-owned real estate	A foundation set up by tenants owns and exploits the (heritage) real estate/monument, forbidding the extraction of financial value, instead, re-investing all profits back into the foundation.	In Berlin, Germany, ExRotaprint gGmbH, was founded by tenants in 2007. It was able to acquire the 10,000 square metre Rotaprint architectural monument implementing a special form of ownership and self-organisation. ExRotaprint project is a model for urban development that rules out financial profit through ownership and establishes a heterogeneous, open environment for all community groups. **Link**
Community funding	When community enterprises become profitable, revenues can be reinvested in the local community.	In Lisbon, Portugal, the Largo Residências cooperative, operates a hostel, hotel, artist-in-residence, café and shop in the Intendente neighbourhood in Lisbon. It functions as a community hub, and utilises the revenues generated through its social businesses to conduct cultural and social projects. **Link**

7. Public-private-community co-financing



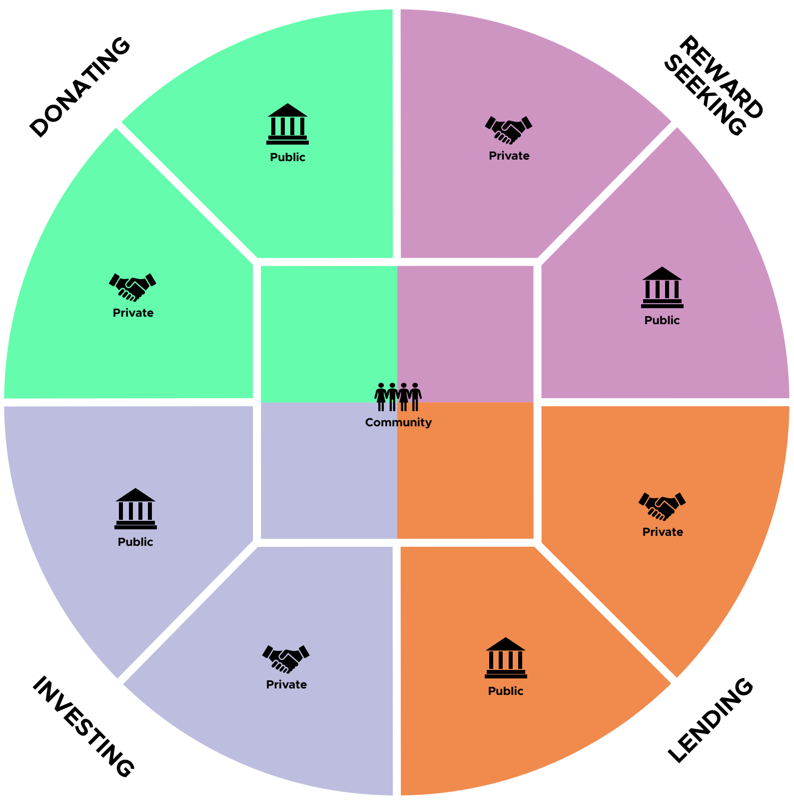
We find several cases where public finance is employed to attract private and/or citizen finance towards the goal of regeneration of Historic Urban Areas. This is done in different ways: by realising a foundation, or fund, through public-private partnerships, or by municipal support of citizen/business funded initiatives (tripartite funding). Subsidies and tax exemptions are economic policy-type co-financing to attract private investment towards regeneration of HUA's.

We want to see better places through community businesses. Proving that a place is 'better' used to be a hard question. Today we can measure social outcomes much more robustly. We have the metrics the government needs to see.

Richard Harries, Former Director of R&D, Power to Change Trust

Financing instrument	**Description of instrument**	**Example of use in heritage context**
Public-private co-funding	Often, public actors aim to attract private actors to co-finance the redevelopment of heritage space, setting up a fund or a foundation to facilitate such co-financing.	In Novi Sad, Serbia, the cultural station obtained financing from several public sources: the city, the region, the national government, the EU. It also aims to attract 4% private funding (1,1 million euro). Owned by the municipality and administered by the newly created Novi Sad 2021 Foundation. **Link** In Newcastle-upon-Tyne, United Kingdom, a partnership of stakeholders conducted a regeneration programme for the Grainger Town area between 1997 and 2003, focussing on improvements to the public realm. A public sector investment of 40 million pounds, created confidence and led to an investment of 145 million pounds by private businesses in the area. **Link** In Eindhoven, The Netherlands, a former industrial area, previously belonging to Philips, is redeveloped. In 2000, the municipality of Eindhoven and the construction and real estate developer VolkerWesssels B.V. entered into a public-private partnership, Park Beheer Strijp, to buy and re-purpose the site. Since 2006, developments have been under way to create a bustling neighbourhood that integrates living, working and urban culture. **Link**
Citizen-private-public (tripartite) partnerships	Bottom-up efforts by citizens and local businesses can be leveraged for heritage-led urban regeneration.	In Malaga, Spain, residents and business owners formed an association to give new life to their neighbourhood by turning it into a buzzing and creative 'cultural district.' The municipality supported the initiative and helped to facilitate the 1.375.000 euro budget. **Link**
Tax exemptions	To attract companies and knowledge institutions a government can provide tax incentives.	In Genk, Belgium, the city developed an Integrated Territorial Instrument to attract multiple EU funds (ESF, ERDF, cohesion fund). This funding was used to provide tax incentives (and subsidies) for companies and academic institutions to work in the area. **Link**

A deep dive into financing models for heritage-led regeneration of Historical Urban Areas



The heritage finance ecosystem

The Heritage Finance Ecosystem is a starting point for exploring the many funding and financing opportunities that are present today.

The additional financing schemes presented here are meant to showcase the breadth and width of the financing landscape. We start by introducing the heritage finance ecosystem and then take a deep-dive into dozens of financing models that are available today.

Financing sources		**Description**
Public-private co-funding	Public funding	Public and private institutions invest, seeking profit and/or impact.
	Private	Private institutions invest, seeking profit and/or impact.
Community funding, including crowdfunding		Investors know each other directly, are engaged and share a common goal or place. This can be supple-mented by crowdfunding, here: small amounts of money are raised from large amounts of people to fund something.

A share is an investment in an idea of someone else. You can even see it as a gift.

Liesbeth Soer, Director Catalytic Investments, Triodos Regenerative Money Centre

Financing models

Financing models	Description	Characteristics
Donating	Giving money for a cause and/or to serve a societal purpose.	Accessible for both investors and receivers No or almost no legal challenges Tax benefits may apply in case of charitable projects Flexibility in providing, or not providing, rewards for donators
Reward seeking	Giving money for a potential future (non-financial) reward.	Pre-financing of production Form of market research, is there appeal for this idea/product? Usually tangible products or impacts
Investing	Acquiring shares, potentially achieving future profit through ownership.	Long-term connection with investors Investors have a stake in the success of the project/business Ownership and risk is shared
Lending	Allowing for the temporal use of a sum of money, usually with interest.	The organisation retains full control over its governance Compensation is predetermined Easy to explain to investors
Hybrid models	Switching the financing model during the agreement under pre-agreed conditions.	Provides flexibility for entrepreneurs and additional options for investors

Donating

In donation-based financing models, investors receive no direct return. Their motives are more altruistic and focussed on the goals of the project or based on personal relations. Donations are risk-absorbing capital because they do not have to be repaid. This financing model makes it easier to attract other funding because its equity increases and the organisation’s financial position is improved. In general, donations can be used freely, but there could be rules in place depending on the region and the legal form, such as spending the money before a certain date.

Reward seeking

Reward seeking is the act of giving money in exchange for a non-financial reward and often to support a cause. This could be a cause or project the contributor is directly related to and that is able to provide a tangible reward which is very small (the goal for the investor is to support the project) or very large (goal is to receive a potential product or services for a discount). Public and private investors might also invest in exchange for a non-financial reward. The most common form is outcome-based financing or ‘outcome grants’, where the funds pay money for the pre-negotiated impact that is achieved (public and private institutional funding).

Match funding can increase the success chance of crowdfunding campaigns.

Martijn Arnoldus, founder of Social Finance Matters

Financing models

Lending

Lending money is usually done in exchange for interest, which depends on the risks associated with the loan. It is advisable to keep loan contracts as uniform as possible. Even though the law in most countries provides ample ways to design such contracts. Apart from complexity it is better to keep the number of loans low and avoid too much administrative work. Governments and other funding organisations may issue bonds providing them with the debt to make long term capital investments. Apart from achieving a profit, making a positive social or environmental impact could be part of the goals related to the loan.

Investing

Investing money in exchange for equity makes the investor a co-owner. Equity refers to the amount owned by the project's legal form. It equals the amount of money that would be left if all assets were liquidated and all of the debt was paid off. Investing in equity usually happens with the intention of achieving a profit. Equity is vital in the early-stage because it can absorb losses until revenue generation comes off the ground and debt financing becomes more feasible. Apart from achieving a profit, making a positive social or environmental impact could be part of the investment goals.

Hybrid models

There are also financing instruments that allow for a switch from one financing model to another under certain pre-agreed conditions. A typical example is mezzanine financing, a hybrid of debt and equity, where debt can be converted into equity in case of a default. Similarly a loan can become a donation under certain circumstances.

Málaga Soho - ESM

When we worked with crowdfunders, we provided match funding to incentivise local take-up.

Richard Harries, Former Director of R&D, Power to Change Trust

Financing models

Financing models in public & private funding

Opportunities for complementary funding for the cultural heritage sector

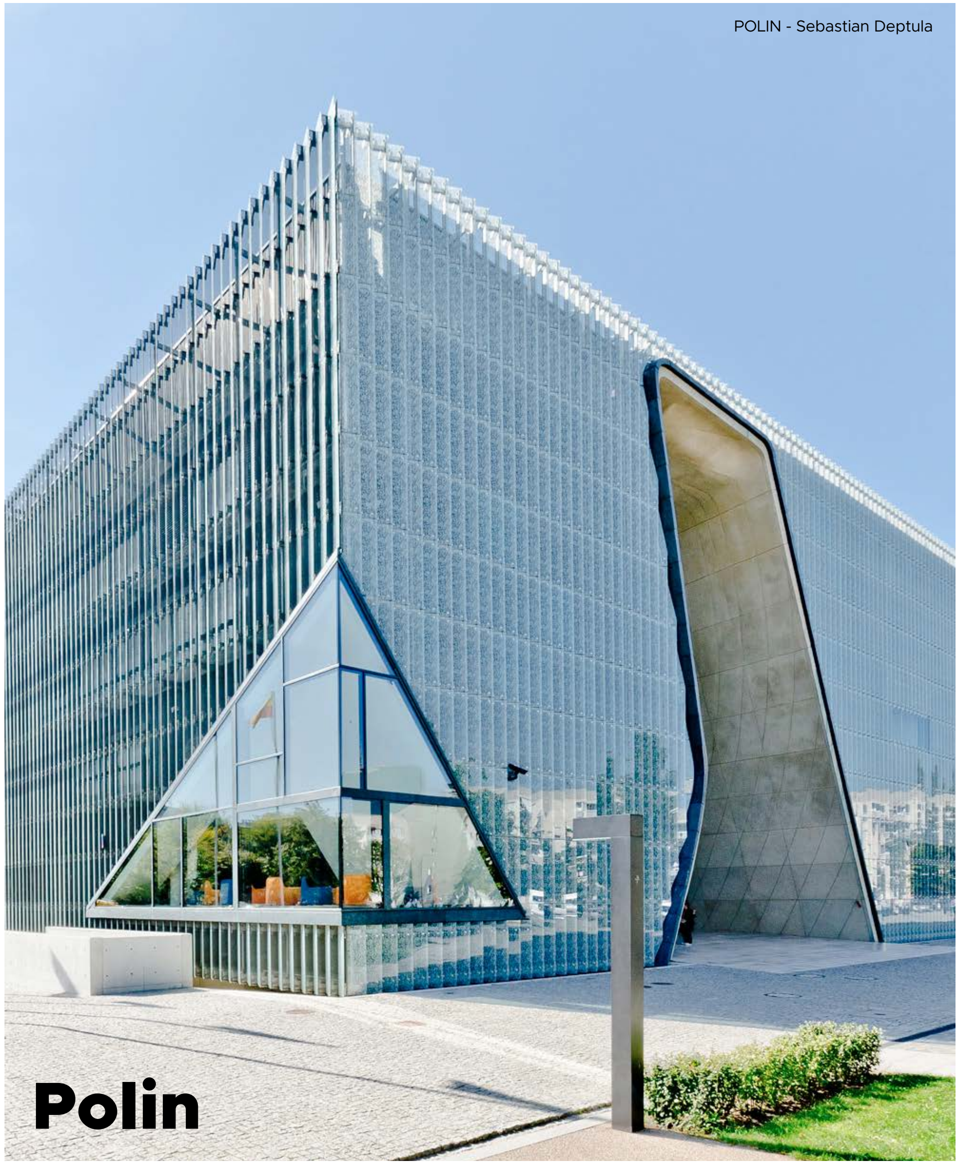
- Cultural heritage organisations, and most notably those operating at small scale and in the rural areas, experience difficulties in accessing private funding bodies and organisations as well as the investors' market.

- Only a reduced number of innovative financing tools and schemes are designed to respond to the specific needs of cultural institutions, as the cultural heritage sector on the one side and the financial markets on the other, often operate in silos.

- Investments in cultural heritage assets may still be perceived as a high risk for investment funds. Furthermore, heritage projects may not always display sufficient investment readiness and maturity to significantly attract private funds. A broader use of evidence-based value indicators and impact measures for tangible and intangible heritage assets would be expected to contribute to attract further funding.

- The great disparities amongst European institutional, legal, regulatory and administrative traditions with regard to cultural heritage further challenges the organisations operating at pan-European level. Workshop participants expressed their intention to further explore the feasibility of new and updated instruments. The evaluation of initiatives such as a European cultural heritage lottery, a European philanthropy foundation and a European cultural heritage bond could be instrumental to advance in this direction.

Quoted from the background paper on the 2021 Workshop on complementary funding for cultural heritage.



POLIN - Sebastian Deptula

Financing models in public & private funding

Public and private funders are different in character but tend to use similar financing models. This section provides a catalogue of all the main public and private financing models that are available.

In many cases public and private funders join forces. Public authorities can direct private support to the heritage-led regeneration of Historic Urban Areas. Fiscal incentives are a low-hanging fruit. Matching grants are effective too as this financing model attracts more stakeholders. It is a win for public authorities because every euro spent gets multiplied. Involving private companies in the management of cultural institutions can also increase private sector involvement.

POLIN: Poland's first public-private partnership institution

The main goal of the POLIN Museum of the History of Polish Jews is the presentation of 1000 years of the history of Polish Jews and the richness of the Jewish community. The POLIN Museum also acts as a modern centre of education, debate and culture, where concerts and cultural activities are organised. The POLIN Museum is the first public-private partnership institution in Poland, jointly created by a non-governmental organisation (Association of the Jewish Historical Institute), the central government (Ministry of Culture and National Heritage) and the local government (the City of Warsaw). The 3P provided funding support for the construction of the Museum building and the Museum's annual budget and its educational and public programmes. The Museum has a diversified funding structure, which includes an international community of donors and enables a high degree of adaptability and resilience. More information at: https://www.polin.pl/en

Quoted from the background paper on the 2021 Workshop on complementary funding for cultural heritage.

Public and private financing models			
Donating	**Reward seeking**	**Lending**	**Investing**
• Grants • Institutional patronage • Vouchers • Donations and subsidies • Venture Philanthropy • Match funding • Repayable contributions • Philanthropy	• Impact bonds • Reward- or output-based funding • Sponsorship • Match funding	• Venture debt funding & convertible loans • Family office debt funding • Revolving funds • Direct lending • Balance sheet lending • Invoice trading • Leasing • Fair-leasing • Soft loans • Revenue-based financing (profit-sharing) • Match funding • Subordinated loans • Land value capture bonds • Impact bonds	• Venture capital funding • Business Angel funding • Family office funding • Revolving funds • Match funding • Outcome based financing

When private investors want to invest in the public domain, an impact bond can be a helpful tool that allows to form a public-private partnership and makes public value investable.

Björn Vennema, co-founder of Social Finance NL

Financing models in public & private funding

Talking regenerative financing at the Triodos Bank

WITH LIESBETH SOER
DIRECTOR CATALYTIC INVESTMENTS, TRIODOS REGENERATIVE MONEY CENTRE

The mission of Triodos Regenerative Money Centre reaches beyond the limits of the current banking system. It operates from a belief that money has three important qualities: to buy, to lend/invest, and to donate. The centre encourages the things money can do to benefit society and our planet.

How does regenerative financing work?
Together with the Triodos Bank group, regenerative money is made available through blended financing options. With gift money, we can finance socially relevant ideas or initiatives, even when the outcome is uncertain or cannot be directly expressed in economic value. Instead of making a financial return, we aim to achieve positive social impact together with initiatives. Catalytic Investments have the primary goal to generate impact. The capital invested is expected to be circular: At portfolio level, we aim to at least maintain our capital base to ensure it can support initiatives time and time again. The regenerative money centre can be a co-initiator. Which enables us to join in very early, and use our 'free money' to help initiatives get started, and learn from this experience. The bank cannot do this due to regulations.

Can you give an example?
At Aardpeer, social and nature-driven farmers get access to affordable farmland. To make Aardpeer possible, we needed the right mix of people and organisations. We have communities, farmers, money and land. We try to keep it together, without giving it a legal form yet. It is a coalition. Together we stand for it. Everyone brings their qualities in. A fifteen million euro bond was placed in the market, 7.2 million has been collected thus far. We stepped in early, and earned our investment back through this bond. Now there are entrepreneurs and faces behind Aardpeer and it has become much easier to attract the investment.

What does this mean for the entrepreneur and his business model?
With Aardpeer, the ground goes into a safe, in the form of a foundation. The farmer pays a lease based on the productive capacity of the ground, not the land value as such. We believe in the people and their ability to make the most out of the land. The entrepreneurs know how to do this best. For those farmers, it also means they cannot sell their land. Their retirement for example needs to come out of their revenues. But they do get a long-term lease agreement, which includes social and ecological criteria. They commit to intervision, helping each other, so they keep each other sharp. They commit to communicate this together with us.

Financing models in public & private funding

What is the bigger story behind Aardpeer?
With financing Aardpeer we want to break the vicious cycle. Land has become scarce, so you know where the money is going. Providing fair market value requires a depreciation from the funders side and so becomes a cost for the investors. The problem is that the value is no longer related to the productive capacity of the ground. Just because square metres are scarce, prices will go up. Fair market value financing got into trouble in the past, because if the costs of land increase, then there is a point when the investors get a negative return. Out of this challenge, the eternal bond emerged. Investors can step in, but not sell it, it can only be inherited. It is a deferred donation. It is eternal because it does not have an end date. This makes it complex to involve the wider public due to regulations. So in the case of Aardpeer we created bonds of 7 and 10 years instead. After the first 7 years investors can choose to step in for a longer additional period. The bond structure allows for frequent communication with the investors. It is an experiment. Some people will continue after the first 7 years, others won't. We can prepare for different outcomes.

How will Aardpeer evolve and what will make it a success?
It is important to stick together, and not get split apart by external forces. Our common goal is to keep the land valuable in the long run. Value in the sense of having a yield from what the land produces. The land value as such does not matter any longer. This requires a different mindset on investing. Even for impact investors this requires a mindshift. Making the values visible is a key force to keep different stakeholders together. A challenge is to find the right governance structure between the investors, and the farmers. At Herenboeren the cooperation can decide what the farmer should plant. Then a dialogue emerges between what the farmer finds feasible, and what the community wants.

How would you apply the story of Aardpeer to heritage-led regeneration of Historic Urban Areas?
I would apply the same structure as in agriculture (Aardpeer), but I would try to bring together a community of entrepreneurs, and a community of locals. Ask them to define what they would like to create in their area. In that case you would value the quality of living and create an inclusive business model. In that model one can bring more capital, while another may bring social value, or invest time. Entrepreneurs can add different values, and share revenues based on the success of the collective.

What could be the role of the bank?
From the bank's perspective we need an initiator, someone who pulls the project. A group of parties is more interesting than an individual. Having only high-income groups is not enough, all qualities need to be a part of it. An enabling environment, one or more projects willing to contribute to it by sharing experiences and ideas. We want to stick our necks out, but only if others are willing to do that too.

Learn more: Website Aardpeer + Launch Aardpeer + Website Triodos Regenerative Money Centre

Financing models in public & private funding

Donating

- Institutions such as governments and charitable foundations may provide **grants.** Usually to non-profits but also to businesses or local governments. Grants are always provided to achieve a public benefit and do not need to be paid back.

- **Institutional patronage** involves one-sided business transactions, where donors contribute with money, time, information, goods and services, to another organisation, from which the donor expects no direct benefit. Patronage for cultural heritage can be part of a company's corporate social responsibility program.

- **Vouchers** are tickets or cards that entitle the holder to a payment or a free good or service.

- Both **donations and subsidies** are gifts to benefit a specific cause. Usually these are connected to a specific economic sector to reach public goals. Governments and other organisations may provide these. Corporate giving is a term used to describe donations from companies.

- **Venture philanthropy** combines the impact goals of charitable donations with the DNA of investing. The goal is not the highest financial return but the highest benefit to society. This model is most suitable for charities and social enterprises.

- In **match funding**, governments or other organisations match the financing generated by other investors. It can be done in all forms of capital but the most common forms of government involvement are grants, subsidies and guarantees. Governments may also co-invest in a public-private investment fund which in turn invests in projects and businesses.

- **Repayable contributions** allow a selected project to get double financing consisting of a loan with zero costs and a 'repayable contribution' to be paid back totally or partially by the beneficiary company, depending on the company's performance during the period in which the repayable contribution is used.

- **Philanthropy** involves a long-term, strategically defined, large scale voluntary contribution of resources, talents, and/or time to a specific cause. The cultural heritage sector has a long and successful record of partnering with philanthropic foundations and individuals.

Impact investors have very specific preferences, which can sometimes make it harder to fit a project to their preferences. On the other hand, that can also provide focus for the investor and clarity for potential investees.

Björn Vennema, co-founder of Social Finance NL

Financing models in public & private funding

Reward seeking

- When investors seek to achieve specific non-financial goals they may issue **impact bonds**. These are debt instruments that may operate without interest. In impact bonds the investors take on the additional risk of a project, and the government payout after the project depends on its success. These can be measurable impacts or cost-savings. Impact bonds are an ideal way to reduce the risk for the government by letting the market take on the risk of achieving success.

- Governments and NGOs that want to support a certain development, such as the rise of sustainable energy, may engage **in reward-, or output-based funding**. The funder can be paid back not with money, but for example with sustainable energy. This reduces the risk because no repayments are needed until the production stage is reached.

- **Sponsorship** is the support of a project or organisation with the explicit objective to promote the sponsors name, products or services. Sponsors may, or may not want influence on the project itself. This money may come from the general promotional spending or the corporate social responsibility program of a company. It can be tax deductible.

- In **match funding,** governments or other organisations match the funding generated by other investors. It can be done in all forms of capital but the most common forms of government involvement are grants, subsidies and guarantees. Governments may also co-invest in a public-private investment fund which in turn invests in projects and businesses.corporate social responsibility program.

Sponsorship helps to restore and increase accessibility of Rome's Coliseum


Colosseum - Chris Parker

The MIBACT and the municipality of Roma signed a sponsorship contract with Diego della Valle Group (Tod's) in 2011 to realise specific restoration projects and set up new infrastructure inside and outside the Coliseum, the most important monument in Italy with five million tourists per year. The project will entail the constitution of non- profit foundation "Amici del Colosseo", which intends to make the Colosseum increasingly accessible to the categories of young people, the disabled, retirees and workers. It is the first Italian example of a sponsorship agreement that includes a public/private partnership and project-financing scheme with a private contribution of EUR 25 million. In return, Della Valle Group has exclusive use of the royalties on the Coliseum for 15 years. More information **Link**

Quoted from the background paper on the 2021 Workshop on complementary funding for cultural heritage.

Reward based financing is very interesting when it comes to adding services to an area such as shared vehicles. The financing could be part of the initial investment, or part of the service costs.

Theo Stauttener, partner at Stadkwadraat, co-initiator of the Citymaker-Fund

Financing models in public & private funding

When spaces are made temporarily available, communities create value, but then have to leave again without gaining a part of that value.

Martijn Arnoldus, founder of Social Finance Matters

Lending

- **Venture debt funding** is the typical investment form for companies needing 500.000 up to 10 million euro. Usually loans are provided to companies that have reached their scale-up phase. Venture capital and debt funds typically manage other people's funds, focus on specific industries and often operate across borders. They can be easily contacted but competition is high. **Convertible loans** can be converted into equity based on a specified number of shares. Also referred to as mezzanine financing. The interest rate depends on the success of the company and thus allows for more flexibility.

- **Family offices** are an atypical kind of fund that may provide **debt funding**. These funds manage the capital of wealthy families and are more flexible than other funds. Apart from regular loans they may provide all kinds of financing solutions including grants and investments. A personal introduction is important to get access to a family office.

- The most 'circular' funding models are **revolving funds**. These are pools of capitals raised with the specific purpose to finance a particular set of activities or to support a particular group. After receiving an initial amount from shareholders, donors or creditors they operate on reusing the reimbursements of investments made and loans provided. This way a continuous cycle of investments in projects under a similar scope is established, and deep knowledge on what works in a given sector is generated. Successful project owners know that their success generates new opportunities and expands their impact. In cultural heritage preservation, loan funds enable agents to undertake the rehabilitation, development and expansion of historic properties. Revolving funds are a good complementary financing model that often includes a degree of community engagement through partnering with public programs.

- In **direct lending**, a financing intermediary gives out a debt instrument to investors. The incoming funds are used to finance projects and companies directly. Investors receive a fixed monthly or yearly interest. Direct lending allows investors to spread their risk as their money gets combined and then spread out across multiple projects. This is also called debt financing, or third party financing as the investor has no direct relationship with the projects and companies the money is invested in.

- In **balance sheet lending**, the (online digital) platform or investment fund provides direct loans to individuals or business borrowers, possibly secured against a property. The difference with direct lending is that the funding comes directly from the balance sheet of the investment company. With direct lending the platform is just the matchmaker and intermediary between the investors and company. Balance sheet lending works therefore similar for an entrepreneur then applying for a bank loan, but tends to be faster. The financial statements can for example be partially checked by an algorithm and the decision-making process can be one quicker due to less levels of agreement needed.

Financing models in public & private funding

Cities could help create a heritage outcome fund, which is a fund that pays for outcomes. This in turn can help finance various impact bonds to reach local impact goals. This brings more resources and efficiency. Making it more attractive for funders.

Björn Vennema, co-founder of Social Finance NL

Lending

- In **invoice trading**, funders purchase invoices from businesses at a discounted rate. This can be done the traditional way by including all invoices or by selling individual invoices (American Factoring).

- **Leasing** is a specific form of lending. The lessee (end-user) obtains the use of assets and pays periodic payments in return. The lessor receives the payment and is responsible for the asset and any associated costs. Also in a financial lease, the lessee uses the asset for the duration of the lease agreement, while the lessor maintains ownership.

- In **fair-leasing**, which was recently introduced by the Citymaker-fund, the increase in land value is shared between the financier and the 'Citymakers' who contribute to the value increase of the land through their activities. At the start of the lease the value distribution and the moment in the future in which the citymakers can buy the land are determined.

- **Soft loans** are loans below market rates. Usually these also have longer payback periods and tend to be derived from public funding to facilitate investments.

- Another surprising financing model is **revenue-based financing**, also known as **profit sharing**. This 'founder-friendly' loan acts like equity. It shares the risk and does not have to be repaid in a predetermined structure. Yet the investor receives no shares or voting rights as is common in loan agreements. Instead a percentage of turnover is agreed to repay the loan. A cap can be implemented to limit the total amount that has to be repaid.

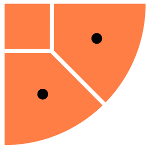
- In **match funding**, governments or other organisations match the funding generated by other investors. It can be done in all forms of capital but the most common forms of government involvement are grants, subsidies and guarantees. Governments may also co-invest in a public-private investment fund which in turn invests in projects and businesses.

- **Subordinated loans** are commonly provided by impact or public interested oriented organisations. In the event of a forced execution of the investment the subordinated loan provider comes last in getting its loan back. These loans usually cover the first 20-30% of the financing requirement. As a consequence, other funders such as banks are less hesitant to lend the remaining capital for investment under better conditions.

- Bonds enabled by **land value capture**. Public investments can lead to increasing land values. But how can governments make sure the public benefits from the increased value of private property? The Urban Maestro project proposes **three main ways**:
  1. Tax developers of house builders.
  2. Tax Increment Finance: Implement and Infrastructural Levy on the value of completed developments.
  3. Take a share in the land and its development.

Capitalising on future government income can enable higher budgets. For example by issuing bonds based on those future earnings. Land Value Capture is becoming such a relevant revenue stream that the OECD is currently producing a **global compendium** of all the techniques that enable it.

Financing models in public & private funding



Lending

- When investors seek to achieve specific non-financial goals they may issue impact bonds. In **impact bonds** the investors take on the additional risk of a project, and the government payout after the project depends on its success. These are also commonly referred to as Social Outcomes Contracts: outcome-based contracts that incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service or social programme. Impact bonds are an ideal way to reduce the risk for the government by letting the market take on the risk of achieving success.

Tax Increment Financing

Governments can recoup a part of the land value uplifts benefiting private property owners. For example through Tax Increment Financing (TIFs). This 'Tax Hypothecation' is a form of land value capture, which allows governments to finance urban/ rural regeneration and infrastructure activities by borrowing against the forecast uplift in property tax and other revenues, such as developer levies by issuing bonds based on predicted increased future revenue. TIFs are designed on the premise that urban regeneration can be funded via various financial investment incentives, backed by a government guaranteed bond issue, which is then serviced and repaid by future property tax increments resulting from development and investment activity.

Quoted from the CLIC projects deliverable 4.1: 'Overview of Hybrid Financial Instruments and Investment Leverage Enablers for Cultural Heritage Adaptive Reuse'

Low interest mortgage and restoration loans + annual maintenance grants in the Netherlands

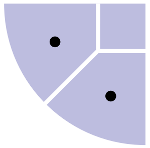
De Utrecht - Leeuwarden - Lymantria

National Restoration Loan Fund (Nationaal Restauratiefonds (NRF)) was established in 1985 by the Ministry of Education, Culture & Science and works with this ministry, the Cultural Heritage Agency of the Netherlands, local authorities, private funds and private partners. The restoration fund is a non-profit entity that administers twenty-six funds on behalf of the state, provinces, municipalities and private organisations to provide low interest mortgage and restoration loans, via a revolving fund, for purchase, restoration, sustainability work (energy saving) and adaptive reuse of monuments. More information: **www.restauratiefonds.nl**

Since 2019, the National Restoration Loan Fund has been managing payments for an annual maintenance subsidy (grant), provided by the Cultural Heritage Agency (Ministerie van Onderwijs, Cultuur en Wetenschap), for national monument owners (replacing the previous annual maintenance tax deduction scheme). The housing subsidy amounts to 38% of costs for repair and maintenance of foundations, replacement of jointing or masonry on the facade or monumental painting work. Owners of national monuments that do not have a residential function, such as a museum, church, Castle, palace, mill or agricultural building or buildings owned by a charity may also receive a repair and maintenance subsidy based on a 6 year conservation maintenance plan. The subsidy may also be used for a feasibility study to explore the adaptive reuse possibilities, including emergency works to stabilise the building pending works. Information portal: **www.monumenten.nl**

Quoted from the CLIC projects deliverable 4.1: 'Overview of Hybrid Financial Instruments and Investment Leverage Enablers for Cultural Heritage Adaptive Reuse'

Financing models in public & private funding



Investing

- **Venture capital funding** is the typical investment form for companies needing 500.000 up to 10 million euro. These funds manage the funds of other people, focus on specific industries and often operate across borders. They can be easily contacted but competition is high. In some cases, **convertible loans** are issued. These can be converted into equity based on a predetermined number of shares.

- **Business angels** are private individuals who make early stage investments in equity of a company. They usually invest between 50.000 and 500.000 euro and tend to combine their financial investment with coaching the founders of the company. Often these are successful entrepreneurs themselves who can be reached through local angel business networks, or ideally through a personal introduction. Regularly business angels co-invest with other business angels and tend to invest in sectors where they already have experience.

- **Family offices** are an atypical kind of **fund**. These funds manage the capital of wealthy families and are more flexible than other funds. Apart from regular funding they may provide all kinds of financing solutions including grants and loans. A personal introduction is important to get access to a family office.

- The most ‘circular’ funding models are the **revolving funds**. These are pools of capitals raised with the specific purpose to finance a particular set of activities or to support a particular group. After receiving an initial amount from shareholders, donors or creditors they operate on reusing the reimbursements of investments made and loans provided. This way a continuous cycle of investments in projects under a similar scope is established, and deep knowledge on what works in a given sector is generated. Successful project owners know that their success generates new opportunities and expands their impact. In cultural heritage preservation, acquisition funds are set-up to purchase properties and stabilise or rehabilitate a heritage site. Revolving funds are a good complementary financing model that often includes a degree of community engagement through partnering with public programs.

- In **match funding**, governments or other organisations match the funding generated by other investors. It can be done in all forms of capital but the most common forms of government involvement are grants, subsidies and guarantees. Governments may also co-invest in a public-private investment fund which in turn invests in projects and businesses.

- Public and private investors might also invest in exchange for a non-financial reward. The most common form is **outcome based financing** or ‘outcome grants’ where the funds pay money for any pre-negotiated impact that is achieved (institutional funding). Contrary to the previous models the money is not usually paid upfront, but after the impact has been achieved. This is a combination of investing and reward seeking.

Financing models in public & private funding

The power of Impact Bonds and Social Outcome Contracts

The reasons for developing social outcomes contracts or impact bonds, vary from project to project, and from country to country. This will often reflect the specific social, economic and political opportunities and constraints within a particular context. They reflect different regulations and approaches to welfare provision, and more generally attitudes towards the involvement of private actors in the provision of social services. Most social outcomes contracts hinge on a shared recognition among the parties involved of the need to collaborate more effectively across different sectors to unlock funding for innovative and preventative approaches, thereby addressing deep-rooted social problems.

What these varying approaches have in common is a commitment to promoting a greater focus on measurable outcomes rather than inputs or activities, and to enabling more efficient public spending by only paying for what works. For example, a social outcomes contract that is seeking to support young people's education would be more interested in improvements in grades (outcomes) rather than the fact that the children were going to school classes or seeing a mentor (activities). This is a rather simple premise, but in practice designing a service around outcomes rather than activities or inputs can bring new challenges.

Quoted from Social Outcomes Contracting in Europe introductory guide, 2021.

Check out the global impact bond dataset with numerous European examples.
Check out the Social Outcomes Contracting Advisory Platform

European Cultural Foundation

Responding to COVID: The Culture of Solidarity Fund

The Culture of Solidarity Fund was launched by the European Cultural Foundation in April 2020 in response to the COVID-19 crisis. It is a philanthropic, public-private partnership that scales with contributions by philanthropic, public and private donors. It supports innovative cultural projects that cross national borders, professional sectors and artistic disciplines.

More information at: https://culturalfoundation.eu/initiatives/culture-of-solidarity-fund

Financing models in public & private funding

The United Kingdom funds the transformation of places, through heritage

The 'Future High Streets Fund' (FHSF) administered by the Ministry of Housing, Communities and Local Government funds coordinates two initiatives:

High Street Heritage Action Zones: within the 'Historic England' High Street Cultural Program (2020-2024), administered in partnership with National Lottery Heritage Fund and the Arts Council England. £95 million government funding, administered via partnership with local government, to 68 identified high streets with underutilised and obsolete built heritage.

The Architectural Heritage Fund has a program called 'Transforming Places through Heritage,' for individual buildings in the ownership of community groups or non-profit charitable entities. The fund grants focus on place-based initiatives led by local authorities, neighbourhood or community led groups, such as community Land Trusts, where strategic regeneration programmes are underway, including Heritage Action Zones and Townscape Heritage Areas. The fund provides:

- project viability grants up to 15.000 pounds (100% of costs);
- project development grants up to 100.000 pounds (90% of costs);
- crowdfunding challenge grants up to 25.000 pounds to match fund crowdfunding campaigns;
- transformational project grants up to 350.000 pounds for repair, restoration and adaptation to bring a building back into use (80% of costs);
- community shares booster grants up to 10.000 pounds to enable Community Benefit Societies and Co-Operatives to raise equity funds (in partnership with Co-Operative UK)

Community share projects are financed by the sale of shares to community investors for an equity share (ownership stake) in the enterprise seeking funds, rather than a donation. This method of funding is not possible for companies limited by guarantee as they are unable to issue shares. However, community heritage projects can attract investment via community share projects by raising matching funding from Co-Operative UK that supports community businesses to create better places across England.

Quoted from the CLIC projects deliverable 4.1: 'Overview of Hybrid Financial Instruments and Investment Leverage Enablers for Cultural Heritage Adaptive Reuse'

Financing models in public & private funding

Hof van Cartesius

Land value capture by the Citymaker-Fund

The Citymaker-Fund buys land or real estate and rents or leases it out to the citymakers in combination with a subordinated loan that finances the regeneration. In a typical case, the land purchase is completed with 20% equity and a loan offered by Triodos Bank for the remaining 80% of the equity, with interest lying a fraction below the ground rent. This ground rent is the compensation we receive for making the use of the land possible for the citymakers. If the land value changes within the upcoming years, let us say by an increase of an average of 2% per year for a period of 10 years, the collateral after this period will be of a higher value than the loan. If the value of the real estate develops positively and more than the average market inflation, then the relative financial risk of the land purchase decreases. Since money generally devalues over time (inflation).

We often witness an increase in real estate value when citymakers can successfully proceed with their business. Therefore, land or real estate investment is therefore an interesting option, although the fund's primary focus is not financial revenue but realising and perpetuating these important initiatives. As such, land, real estate and financing are used as resources, not as objective. On the other hand, due to the special form of risk-bearing investment, such an increase in value is a necessity for the fund. It also enables the fund to allow the increase in value to be dispersed amongst the citymakers. After all, they are the ones who realise the increase in value through their efforts. Of course, the land- and real estate owner will benefit from this as well.

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

Quoted from the Urban Maestro projects Citymaker-Fund publication, 2020.

Financing models in public & private funding

Land value capture by the government in Copenhagen

Copenhagen City & Port Development Corporation is a publicly owned privately managed entity that leverages public assets through Land Value Capture (LVC), Public Private Partnership (PPP) and Joint Venture (JV) schemes. The City and Port Authority blends financial instruments of the marketplace, with a statutory mandate to maximise profits. The revenue yield is used to service the debt on the citywide Metro system. The value of public assets is leveraged by rezoning development land. In parallel, the City and Port Authority enters into a series of collaborative Public Private Partnerships and Joint Venture schemes with private investors and developers to develop and manage developments.

In order to forward fund the Metro infrastructure system, the City and Port Authority takes out loans, on favourable terms from the Denmark National Bank, against the future increased value of the rezoned land assets. This debt will be funded by an additional property tax imposed on residential and commercial land-owners (within a 50 metre radius of new Metro stations) to capture land value appreciation on completion of the Metro development. This is a profit-sharing tool in the sense that the City & Port Authority will also receive a portion of the property value increase generated by proximity to the new Metro stations. In addition to tax revenue, the City and Port Authority benefits from sale and lease revenues stemming from their long-term regeneration strategy including re-zoned and re-purposed land (land reclamation took place in the North Harbour using surplus soil from underground metro tunnel construction).

Quoted from the CLIC projects deliverable 4.1: 'Overview of Hybrid Financial Instruments and Investment Leverage Enablers for Cultural Heritage Adaptive Reuse'

Wagon Jeux - Sebastien Normand

Financing models in public & private funding

Inez Faber

Affordable financing by the Citymaker-Fund

The Citymaker-Fund (Stadmakersfonds in Dutch) is an investment fund for placemakers and citymakers. These work on a common cause, which brings people together to collectively reimagine and reinvent public spaces as the heart of their community. Strengthening the connection between people and the places they share, "placemaking" offers a collaborative process by which we can shape our public realm in order to maximise its value to everyone.

The Citymaker-Fund is a matchmaker between placemakers, citymakers and investors, and actively contributes to a lively and inclusive city by investing in initiatives with a social and reasonable economic return. The fund assists initiatives by buying property or land, or by helping to finance the construction or renewal of buildings. To enable a social return and sustain it in the city, this fund places a low interest rate on loans. Additionally, the fund advises placemakers and citymakers on setting up feasible business models. Example cases:

- **Hof van Cartesius**: scale-up of the initiative creating 60 new affordable circular working places.
  - Helping the initiative and its impact grow three times as large. From a temporary to a permanent initiative.
  - Investment: 323.000 euro, total investment generated: 2.240.000 euro

- **Parkhuis Amersfoort**: maintaining a national monument and setting it in motion.
  - 50% Affordable spaces for socially responsible tenants.
  - Creating a permanent meeting-place for the community.
  - Investment: 300.000 euro, total investment generated: 2.285.000 euro

- **Rood noot**: Maintaining a local monument and setting it in motion by turning it into a brewery.
  - At least 60% of the employees are (psychologically) distant or disconnected from the job market.
  - Creating a permanent meeting-place for the community.
  - Investment: 160.000 euro. Total investment generated: 2.141.000 euro. Including a Crowdfunding campaign: 200.000 euro (max amount).

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

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

Quoted from the Urban Maestro projects Citymaker-Fund publication, 2020.

Financing models in public & private funding

Talking value, finance and ownership of heritage-led regeneration by the Citymaker-Fund

WITH THEO STAUTTENER
PARTNER AT STADKWADRAAT &
CO-INITIATOR CITYMAKER-FUND

Why does the Citymaker-Fund exist?
I came across cases of citymakers who entered a building, made it better, and were then offered to buy at multiple times the original price. So they paid for the value they created themselves. Citymakers should be able to buy the building earlier on. That's how the idea for the Citymaker-Fund emerged.

How does the Citymaker-Fund look differently at value?
Usage is value. It can be a simple calculation. If we get those buildings full of good users, value will come by itself. If you can calculate what a user can and wants to pay over three to five years, you can use that money to invest in the building. Investing in what is needed for the building, and needed for the user. If there is a balance, then always do it, because more value will come. The rents can then remain fixed. The return is in the value increase of the building and you can influence the return positively if you bring the right users together. You create an agglomeration effect at the lowest scale. You create a spark. It's like the difference between coffee beans and Starbucks. The value is in there. Social, cultural and environmental value can also increase the return of real estate over time.

How does the Citymaker-Fund enable financing and ownership?
The challenge is that without equity you cannot get a bank loan. Banks want 70% of the loan to value. If you have no capital, you cannot get a loan. Those who provide the first 30 percent can be entities who are looking for societal returns, but how to set those returns in stone for a longer period? So we came up with societal performance indicators. We write those down, and we can leverage them. They are as strong as financial indicators. If you don't fulfil them the financing can stop.

What would be your advice for urban heritage regeneration?
First create a buzz and be realistic, then financing becomes easier. It is vital to help the citymakers through the first phase, because after that phase much more is possible. In one case we helped citymakers who could not get a bank loan to sign intention contracts with all the entrepreneurs interested in renting. With those contracts they could get a loan. You can capitalise on the social buzz and the future economic value that results from it. Having realistic rental prices is important. It is better to set a realistic price, and provide a discount in the first stage, then to start low and having to increase the price. This can help balance the soft and the hard business case in the various stages.

Can Citymaker-Funds be applied in other European countries?
The idea behind the city-maker fund is growing. In Belgium and Switzerland there are organisations who do similar things and are interested in using the brand name. If this works in a country depends a lot on the tax regime. But the essence is that you finance an area developed through future returns.

Financing models in public & private funding

The role of the European Investment Bank in the cultural heritage sector

The European Investment Bank (EIB) is actively supporting the cultural heritage sector. The EIB has experience in financing investments in cultural heritage through investment loans, framework loans and funds. The Bank also funds ancillary services to culture and cultural heritage activities, such as infrastructural access and mobility to sites. Moreover, the EIB supports SMEs active in the area of heritage.

GUARANTEES: The European Investment Fund (EIF) manages the Cultural and Creative Sector Guarantee Facility (CCS GF) on behalf of the European Commission. This financial mechanism acts as insurance to financial intermediaries offering financing to cultural and creative sector initiatives.

The Joint Initiative on Circular Economy (JICE) was launched in 2019 by the EIB in conjunction with the EU's five largest NPBIs22. This initiative provides €10 billion to accelerate the transition to a sustainable and circular economy via loans, equity investments and guarantees to eligible projects in all sectors over the period 2019-2023. Although a generic sectoral financial instrument, the JICE initiative will leverage investment in cultural heritage activities. For example, Cassa Depositi e Prestiti invested €40 million in the adaptive reuse of a 90,000 square metre 1920s former tobacco warehouse 'Manifattura Tabacchi' in Milan to mixed residential and commercial uses.

Advisory support has been provided under JASPERS in connection with preparation of grant applications for EU funding (e.g. Copernicus Science Museum, Warsaw).

Examples of projects supported by the Bank include very different operations, like:

- Occitanie regional Tourism and Cultural Heritage fund (France)
- Pilzen urban framework loan linked to European Year of Culture (Czech Republic)
- Reconstruction of emblematic La Valetta City Gate Area (Malta), a UNESCO World Heritage site
- Construction of the National Music Forum in the City of Wroclaw (Poland), a project co-financed with an EU grant
- Reconstruction of cultural heritage buildings in Lorca (Spain), following the 11th May 2011 earthquake.

Quoted from the background paper on the 2021 Workshop on complementary funding for cultural heritage.

More information on the European Structural Investment Funds: **www.fi-compass.eu/**

Website of the European Investment Advisory Hub: https://eiah.eib.org/

Overview EU Funding oppertunities

Click here for an overview of EU Funding opportunities for cultural heritage.

Financing models in community funding, including crowdfunding


Porta Palazzo - Michele D'Ottavio

At the heart of the heritage finance ecosystem we discover the physical or digital community. In community funding the investors know each other and share a common project, space, entity or goal. Depending on the size of the community and funding needed, a digital (crowdfunding)platform may be utilised to realise the funding.

In crowdfunding, small amounts of money are raised from large amounts of people for a specific project or company. Those who invest choose where they invest in by themselves and feel engaged with the impact or revenue generated by the investment. Normally a digital platform is utilised to realise the funding. Such platforms enable easy outreach and reduce transaction costs.

Seeking financial involvement beyond traditional financers opens up new doors to make heritage-led regeneration happen.

Saving an Irish historic train station through reward based community funding x institutional funding

Did you know that Galway's hidden rail icon, the Ballyglunin Station, got saved by the local community? On fundit.ie, they raised over 30.000 euro from 454 donors in a reward based campaign. Funders could get rewards ranging from mugs and calendars up to using the entire building for events and weddings. Celebrity ambassadors further pushed the credibility and reputation of the successful campaign. With this much enthusiasm, the local authorities took notice. Another 100.000 euro grant was provided by the National Town & Village Renewal Scheme in 2019.

Curious to see what the station looks like today? Have a look: **https://ballyglunin.com**

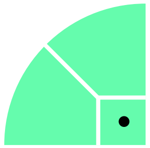
Financing models in community funding

Community funding models			
Donating	**Reward seeking**	**Lending**	**Investing**
• Donations for community benefit	• Donations for community & personal benefit • Lottery funding	• Community lending • Property based community lending	• Collaborative ownership funding • Employee ownership funding

Communities create their story by creating something new and funding it with their own money and time. Crowdfunding enables people to react to this story and may decide to invest in it, even if they are not directly involved in the community. Depending on the wider positive impact the crowd may accept a higher or lower return on their investment. Community based projects and businesses can benefit from adding crowdfunding into the mix. Doing so it is important to accept the different realities of those within, and those outside of the community. Both groups need to be satisfied with the outputs of their efforts.

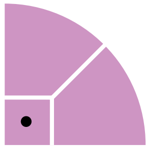
Depending on the characteristics of the community, there could be non-financial resources playing an important role. Most notably the time invested by community members. If this is the case it must be taken into consideration when the overall financing mix is considered.

Running a crowdfunding campaign in the cultural and creative sectors, serves purposes beyond finance such as audience development, community engagement, skills development, promotion and marketing research. In cultural heritage 'fund-matching' partnerships are becoming increasingly popular. In these cases public and private institutional investors invest in campaigns on crowdfunding platforms.



Donating

- The most common form of donation-based community funding are **donations for the benefit of the community.** In this case a community is willing to invest in a common cause that benefits the community.



Reward seeking

- The most common form of reward-based community funding **are donations for the benefit of the community that also benefits the individual investors.** In this case a community is willing to invest in a common cause that benefits the community, but investors also expect a personal reward.

- Organising a local **lottery** can be an effective way to raise money and engage with the local community. In this case the lottery itself provides the rewards. After the lottery the funds that came in can be added to the project's equity.

I expect crowdfunding and other forms of alternative finance to play a big role in the future. Innovation is gone when you are fixed to just one form.

Liesbeth Soer, Director Catalytic Investments, Triodos Regenerative Money Centre

Financing models in community funding

Lending

- In **community lending**, community members provide a zero-, or low-interest loan to get the project or enterprise off the ground. Another option is to provide a perpetual loan that doesn't have to be repaid.

- In **property based community lending**, community members provide a loan to co-invest in a tangible asset such as real estate or a property

Investing

- In **collaborative ownership funding**, the community invests money, time and/or other resources into shared assets.

- **Employee ownership funding** allows employees to co-invest in the community enterprise by accepting shares as part of their salaries. It leads to higher employee engagement and innovation and a more financially inclusive society. It requires a proper taxation system and the standardisation of the valuation of shares.

People don't realise enough that many of the tools used in crowdfunding could also be used in community financing. In those cases you would not even need a platform. You do need the expertise to pull this off.

Martijn Arnoldus, founder of Social Finance Matters

Perspectives of financing experts on the empowerment of the community

Crowdfunding and impact bonds could go well together, because they both have strong local focus. It is also a good way for a community to benefit both socially and financially from local developments.

Björn Vennema, co-founder of Social Finance NL

You need to have a resource that helps the entrepreneurs to take the legal leap that comes with regenerating heritage.

Richard Harries, Former Director of R&D, Power to Change Trust

In Belgium the responsible minister declassified heritage sites. At the request of local communities who face too many hurdles due to the heritage status. Tine de Moor, Professor Social Enterprise & Institutions for Collective Action, Erasmus University Rotterdam

Community businesses often emerge in difficult areas. Their power is a sense of local ownership, a sense of agency rather than waiting for the government or someone else to help. That is a powerful motivator.

Richard Harries, Former Director of R&D, Power to Change Trust

You could create a rent pricing system where rent goes down as more renters come into a building. You could even reward renters for bringing other renters in.

Theo Stauttener, partner at Stadkwadraat, co-initiator of the Citymaker-Fund

Money now often has a hierarchical feeling to it. One person has money, the other has an idea. What does it look like if there is a more equal relationship there? In crowdfunding a more equal relationship is possible because it is not yet fully determined by rules and regulations.

Liesbeth Soer, Director Catalytic Investments, Triodos Regenerative Money Centre

When responsibility shifts from the individual to the community, much less money is needed. A bank representative told me that when they provide financing for a hub, risk is low in practice.

Henry Mentink - Chairman UNO Foundation Veerhuis, Friends of the Earth charter

Financing models in community funding

Talking about financing the urban commons

WITH ELENA DE NICTOLIS
POSTDOCTORAL RESEARCHER AT GEORGETOWN UNIVERSITY (EJP) AND RESEARCH FELLOW LABGOV.CITY.

What is the relation between the commons and financing?
Financing the commons is difficult. Social finance literature shows finance is often accessible to investment ready NGOs. You need capital, collateral, because even an ethical bank is still a bank. In most cities commons institutions are sustained by small-size communities. The problem is scale. Larger institutions need investments of a certain size and the ability to scale-up. Urban commons institutions can only get there if they buy real estate. When a commons buys real estate, it is usually for housing purposes in order to provide an affordable rent. But that is a one-sided outcome of what commons can do for a city. For example the social economy, which could lead to social funding attractiveness in the long term.

Do you have an example of urban policies that can stimulate the social economy?
The City of Turin, for example, in the context of **"Co-City"** issued a regulation for governing the commons to promote residents-led projects to renovate city owned buildings and turn them into platforms for neighborhood development. The Regulation allows the carry out of profit-oriented activities within the urban commons. The revenues may only be used to self-finance the activities of general interest carried out within the facilities.

How can cities attract large scale funding for the local commons?
If cities work together in networks, they might be able to reach the scale required for raising large institutional investment for the commons. You would need a lot of buildings, several neighborhoods involved, and a coordination mechanism behind the investment. One example of a network that may go in this direction is the Naples-led **CiviceState**.

What are the main challenges?
The main risk that we envisage and that the LabGov.city team is investigating within the **Open Heritage** project is that of a fragmented and unequal regulatory landscape on financing the commons in the EU. Unless it is construed as a highly adaptive, experimental, context-base policy framework, only investment ready cities and communities in the EU will have access to these investments, while others may lag behind. If we look at the distribution of urban commons institutions, such as for example Community Land Trusts or Urban laws and policies promoting the commons in cities, they are not equally distributed across the EU, for reasons related to the diversity of jurisdictions, cultural differences, difference in structural inequalities, different incentives for the financial and business sector towards civic entrepreneurship.

Financing models in community funding

What are potential solutions?
The solution could be a stronger connection between the EU landscape ESG framework, the social and green finance taxonomy, the Urban Agenda and the Horizon Europe program, especially the mission on Climate Neutral and Smart Cities.

What makes a commons work well in the context of urban heritage regeneration?
The building of a commons institution is an option under certain conditions. Is there a co-governance structure between the various actors involved? Are there conditions to develop multi-stakeholder ownership that empower urban communities? You need public actors who are involved in an enabling role while at the same ensuring rule of law, inclusiveness, democratic governance. Also, cooperatives don't happen automatically, projects need to build institutions that can enable them, and make it accessible for everyone.

Having multiple smaller investors is a more resilient model than having one bigger investor. The power of the crowd, and an inner crowd that takes personal accountability should be recognized more.

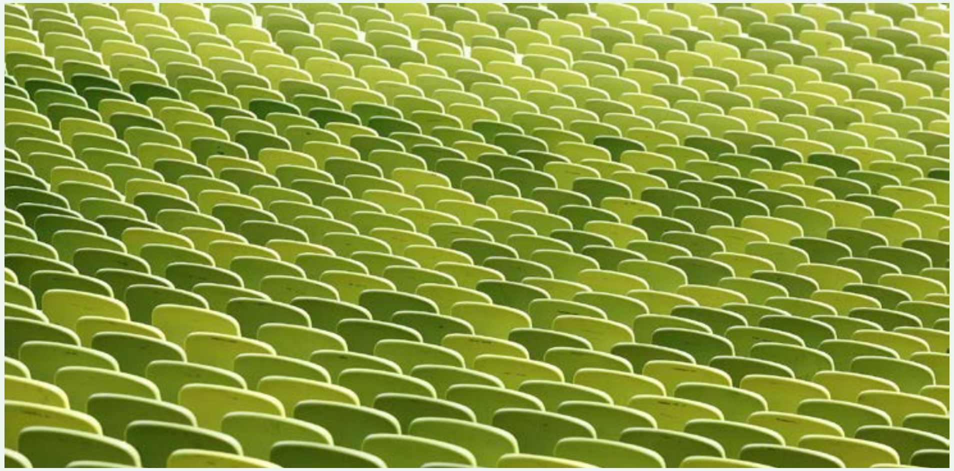
Tine de Moor, Professor Social Enterprise & Institutions for Collective Action, Erasmus University Rotterdam

Public funding X Crowdfunding: new opportunities emerge

Public institutions are actively pursuing ways to connect the potential of crowdfunding platforms to public funding schemes. Good examples of this are the 2021 reports on:

- **'Unlocking the crowdfunding potential for the European Structural and Investment Funds.'** It shows the potential to use Crowdfunding platforms by public authorities and provide (match) funding to projects through crowdfunding platforms.
- **'Scaling Up Partnerships: A Blueprint For the Implementation Of Match-Funding Schemes Between Public Authorities and Crowdfunding Platforms.'** It shows that match-funding practises in Europe have increased significantly and the potential of co-investing between governments and citizens can create measurable impacts.

Financing models in community funding



Wikimedia

Community funding X sport clubs

The **Greenfoot Project found** that more and more sports clubs are demonstrating an interest in reaching out to the crowd to ask for financial assistance, be it for improving performances, COVID-19 support, structural renovations, or to push for energy efficiency and cost reductions. All financing models are viable and have their own strengths:

- is a very successful option when combined with strong social or community roots, like in the case of local schools or social clubs aiming to provide improved services to their community. Additionally, it can effectively be combined with match-funding to leverage additional donors for larger scale interventions.
- Rewards schemes are very common for small scale interventions such as the installation of new floodlights and, like donations, can effectively work in combination with match-funding schemes, both public and private. Furthermore, the rewards offered can be easily tailored to different target audiences.
- Equity crowdfunding is viable for more structured, professional projects, and similar to reward-based campaigns they can allow for the integration of perks and rewards that can be tailored to the fan base. Furthermore, tax relief measures and future dividends, which can be linked to energy or sport performances, are often used as incentives to attract additional investment from businesses and/or more professional investors. Joint ownership can also be very attractive for football fans.
- Lending is mostly used for large-scale projects such as solar roofs, renovation or construction of academies and training facilities, often through the allocation of specific bonds, which could be dedicated green bonds in the case of energy related investments. However, green-based projects with returns linked to energy savings tend to have significantly longer return times that can discourage investors. Lending could be more interesting for people looking for significant financial returns and/or to support energy projects (such was the case for Groningen) rather than football competitiveness.

Non-financial models also present a valuable alternative in the proper context and with the proper community branding; particularly in the case of ad-hoc interventions for changing flood lights or pitch renovations on community clubhouses.

Quoted from the 2021 Greenfoot Project publication on best practises for successful community-based investments.

Financing models in community funding

Talking community impact investing

WITH IRMA LANGERAERT
FOUNDER AND DIRECTOR OF ILFA & ANDERSFINANCIEREN

The Bernhoven hospital in the Netherlands is on a journey to become a 'community hospital.' About ten percent of the 8 million euro collected came from employees, the other 90 percent came from people living in the region including professional investors. To give all employees a chance at joining, 100 euro worth of bonds are given to all employees each year. This combination of community and crowdfunding is enabled by AndersFinancieren, a Dutch societal funding platform. It focuses on raising large amounts for societal projects at a relatively low risk-profile. The platform facilitates bonds starting at 500 euro.

What is the value of including employees and the regional community in financing a hospital?
When we organise meetings people openly accept a lower interest, because they have the interest of keeping a local hospital running. They want to be part of the community that makes this possible. The interest is a good extra, but elsewhere there would be more profit. There is an option for investors to donate the interest.

How important is ownership of the real estate for the business model?
It's frustrating to see how more and more health institutes are forced into renting instead of owning the real estate they use. If real estate is a part of your core business and you are dependent on landlords that only worry about their own profits, then it can hollow out the business model over time. Until finally it becomes impossible to finance anything. What we do in healthcare is also applicable for heritage.

Why is community financing suitable in other areas such as urban heritage regeneration?
Crowdfunding is vintage. It was invented hundreds of years ago not long before the first stock exchange opened in Amsterdam in the 17th century. Up until a couple of decades ago it happened all the time. Bonds were offered locally to finance public value. Today there is mostly anonymity, people far away deciding where there will be a hospital. What we do feels new today but really is not.

Heritage related example: Boei, investing in heritage regeneration.

Financing models in crowdfunding

Donating

- In **donation-based crowdfunding** investors donate small amounts to business, charitable projects and artists without the expectation of a personal return.

- In **crowd-patronage** or **friend schemes**, small amounts of money are paid by large amounts of people to provide a steady income stream for a creator or a place. Many heritage sites have so-called 'become a friend of…' programs. **Promethea.be** actively grows the corporate patronage ecosystem in Belgium. **Patreon.com** is an example of a platform that directly connects creators with a subscription-based audience. Communities, nonprofits and local businesses are some of the main categories of organisations receiving monthly payments through this platform.

Crowdfunding models			
Donating	**Reward seeking**	**Lending**	**Investing**
• Donations for community benefit	• Donations for community & personal benefit • Lottery funding	• Community lending • Property based community lending	• Collaborative ownership funding • Employee ownership funding

Reward seeking

- In **reward-based crowdfunding,** investors expect a tangible (non-financial) reward or product. The business or organisation receiving the investment utilises the funding to create the reward and get their operations off the ground.

- **Lottery funding** is becoming a dominant force for urban heritage regeneration in Europe. Lotteries are low-odds games of chance and can range from one-off events, yearly draws or ongoing activities designed to raise funds over a longer period. Lottery funding may also fuel community and citizen engagement. Legislation and distribution models differ per country. In countries like the United Kingdom, Germany and Ireland, millions of lottery revenues flow into the heritage sector every year. In France, the Loto du Patrimoine funds the heritage protection work of the Fondation du Patrimoine (fondation-patrimoine.org). The four million people who participate yearly know that they support heritage preservation, on top of the potential financial rewards. The foundation in turn involves local communities in preservation skills and work. Since 1997 the Lotto and Superenalotto in Italy funds about half a billion euro, every three years to the Ministry of Cultural Heritage. This in turn gets spread out over cultural heritage projects all over the country **(https://www.beniculturali.it/comunicato/il-gioco-del-lotto-per-l- arte-e-la-cultura).**

Financing models in crowdfunding

Lending

- **Crowdlending**, also known as peer-to-peer (business) lending. Crowdlending is the practice of lending money to individuals or businesses through an online platform, sometimes using a collateral to reduce the risk of providing the loan. It is the most common form of crowdfunding because loans are easier done on objective criteria than other forms and most entrepreneurs and investors understand this model best. The crowd consists of individual investors who invest small amounts of funding. Typically a debt instrument such as a loan or a bond issued by the company is used. In return investors receive interest on fixed moments and the loan is repaid according to a fixed schedule, or fully at the end of a predetermined period. Often institutional investors use crowdlending platforms too to automatically invest the funding in a large group of companies. This is called marketplace lending.

- **Real estate crowdlending**, also known as peer-to-peer crowdlending. Individuals provide subordinated-debt financing for real estate through an online platform. Usually secured against the property as collateral.

Crowdfunding is very relevant to the Citymaker-Fund.

Theo Stauttener, partner at Stadkwadraat, co-initiator of the Citymaker-Fund

Sponsoring ancient monuments in Greece: public-private-crowdfunding

The Greek non-profit associatio Diazoma enhances the sustainable development of cultural heritage such as the protection of ancient theatres and cultural routes. In 2020, a 'Sponsor an Ancient Monument' program was launched involving complementary funding adding up to 9.500.000 euro:

- five million euro from the public City & Region funding portal;
- one million euro through citizen crowdfunding;
- 3.5 million euro from corporate sponsorship.

More information: https://diazoma.gr/en/

Talking (Social) Impact Bonds

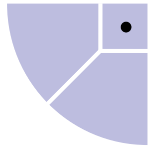
WITH BJÖRN VENNEMA
CO-FOUNDER SOCIAL FINANCE NL

How to apply an impact bond to urban heritage regeneration?
You could have a hybrid system. (1) Financing the real estate based on its rising value. You could make a deal that the area developer invests an amount at 0% interest, but 100% fixed value, and that based on the impact, an interest is paid on that amount, but only if there is an impact. This avoids land speculation. (2) Something needs to be happening there, which creates value, which we could do based on outcomes such as numbers of visitors, education programs or such. That could be an impact bond. So using the impact bond to finance what is happening, not the real estate as such.

How is the governance of a social impact bond organised?
Usually a special purpose vehicle is set-up to operate the social impact bonds. This is where the money flows through. Usually this is a foundation. Often the board has representatives from the various partners. The entrepreneurs who will do the exploitation.

Are social impact bonds a feasible financing model across the EU?
We are running a project in Lithuania. Impact bonds are even newer there. Innovative financing structures are not known, and there is not a market of impact investors. Only a few philanthropists. It is difficult because the market has not yet developed. This is the same for many European countries. In The Netherlands we have a lot of structure, institutions and a market more ready to give this a go.

Financing models in crowdfunding



Investing

- In **equity crowdfunding,** individuals purchase equity issued by a company. Often institutional investors use crowdfunding platforms too to invest in equity. In any case the investor becomes a co-owner and receives shares in the project or company. If there is a profit, the investor can receive a dividend. Over time the shares may increase or decrease in value. If the investor wants to reclaim the investment there needs to be someone willing to buy the shares. In order for equity crowdfunding to work, the value of the shares of a company has to be determined.

- In **real estate crowdfunding**, individuals provide equity for real estate. Often institutional investors use crowdfunding platforms to invest in real estate.

- In an **open impact bond**, the crowd makes an upfront investment needed to carry out a social program. This crowd will only be reimbursed if pre-negotiated outcomes are achieved within a particular timeframe. This crowd-based impact bond is a new phenomenon that is a spin-off of the social impact bonds provided by institutional investors. An early example comes from Tel Aviv, Israel where 230 investors raised 250.000 euro to combat loneliness. If the project succeeds they will receive a five percent return **(https://www.social-finance.org.il/category/What-are-SIBs).**

Financing models in crowdfunding

3 X Crowdfunding for cultural heritage

Are you interested in co-buying a castle? Dartagnans.fr calls itself the world's largest community of heritage lovers. On this French donation-based crowdfunding platform, 220.000 users from 183 countries have invested twelve million euro to support 650 cultural heritage sites.

Looking for complementary funding? Fundit.ie provides a rewards-based and fixed duration crowdfunding model. The platform enables the heritage sector to use crowdfunding as a complementary funding strategy. True to crowdfundings character this goes beyond financial support and may include audience development, marketing, communication and skills development. Since 2011, the platform has raised five million euro four over 1100 projects and has 85.000 registered donors. For example the **saving** of a Galway train station.

Can support come from far away? ForItaly.org normally attracts local support for Italian heritage preservation. In 2015, the American public charity **'International Patrons of Duomo di Milano Inc.'** raised over 150.000 euro through a crowdfunding campaign on the ForItaly platform.

Looking for more examples?
Check out the **HUB-IN Atlas.**
Or browse to Annex 3 of the background **paper** on the 2021 Workshop on complementary funding for cultural heritage.

Co-financing in action: fondation du Patrimoine

Fondation du Patrimoine (Heritage Foundation) is a private entity with legal and financial autonomy, created in 1996, with corporate endowment funding, to promote regional and local heritage, in particular monuments that are not protected structures. The organisation has been crowdfunding for 20 years (donations are tax deductible) and estimates that for every €1 invested by the foundation, an economic multiplier effect of €21 benefits the economy. The foundation now has 22 regional offices and is sustained by mixed sources of funding of circa €68.7 million per annum (based on 2019 figures), including:

- subsidies from local government 4.5 million euro;
- escheated inheritance 6.2 million euro;
- tax deductions 6.4 million euro (estimate);
- lottery funds 19.2 million euro;
- donations in-kind 4 million euro;
- donations from SMEs 5.4 million euro;
- donations from major corporations 7 million euro;
- crowdfunding 16 million euro.

The foundation provides grants and capacity building assistance, including support to source additional funding, for a range of cultural heritage activities by individuals and communities. Since its inception, the foundation has saved over 40.000 heritage assets, at a rate of circa 3.000 per annum with the assistance of citizen, community and corporate volunteers. An example of a funded project is the Climate Observatory at Mount Aigougal (L-observatoire du Mont Aigoual) with a contract value of 2.6 million, received 750.000 euro from the French government, 1.4 million euro from local government and 220.000 euro from Fondation du. Patrimoine (including 22.000 euro crowdfunding, 150.000 euro corporate donations & 48.000 euro lottery funds).

Quoted from the CLIC projects deliverable 4.1: 'Overview of Hybrid Financial Instruments and Investment Leverage Enablers for Cultural Heritage Adaptive Reuse'

Ten benefits of investing in cultural heritage

1. Cultural heritage is a key component and contributor to the attractiveness of Europe's regions, cities, towns and rural areas in terms of private sector inward investment, developing cultural creative quarters and attracting talents and footloose businesses — thereby enhancing regional competitiveness both within Europe and globally.

2. Cultural heritage provides European countries and regions with a unique identity that creates compelling city narratives providing the basis for effective marketing strategies aimed at developing cultural tourism and attracting investment.

3. Cultural heritage is a significant creator of jobs across Europe, covering a wide range of types of job and skill levels: from conservation-related construction, repair and maintenance through cultural tourism, to small and medium-sized enterprises (SMEs) and start-ups, often in the creative industries.

4. Cultural heritage is an important source of creativity and innovation, generating new ideas and solutions to problems, and creating innovative services — ranging from digitisation of cultural assets to exploiting cutting-edge virtual reality technologies — with the aim of interpreting historic environments and buildings and making them accessible to citizens and visitors.

5. Cultural heritage has a track record of providing a good return on investment and is a significant generator of tax revenue for public authorities both from the economic activities of heritage-related sectors and indirectly through spillover from heritage-oriented projects leading to further investment.

6. Cultural heritage is a catalyst for sustainable heritage-led regeneration.

7. Cultural heritage is a part of the solution to Europe's climate change challenges, for example through the protection and revitalisation of the huge embedded energy in the historic building stock.

8. Cultural heritage contributes to the quality of life, providing character and ambience to neighbourhoods, towns and regions across Europe and making them popular places to live, work in and visit — attractive to residents, tourists and the representatives of creative class alike.

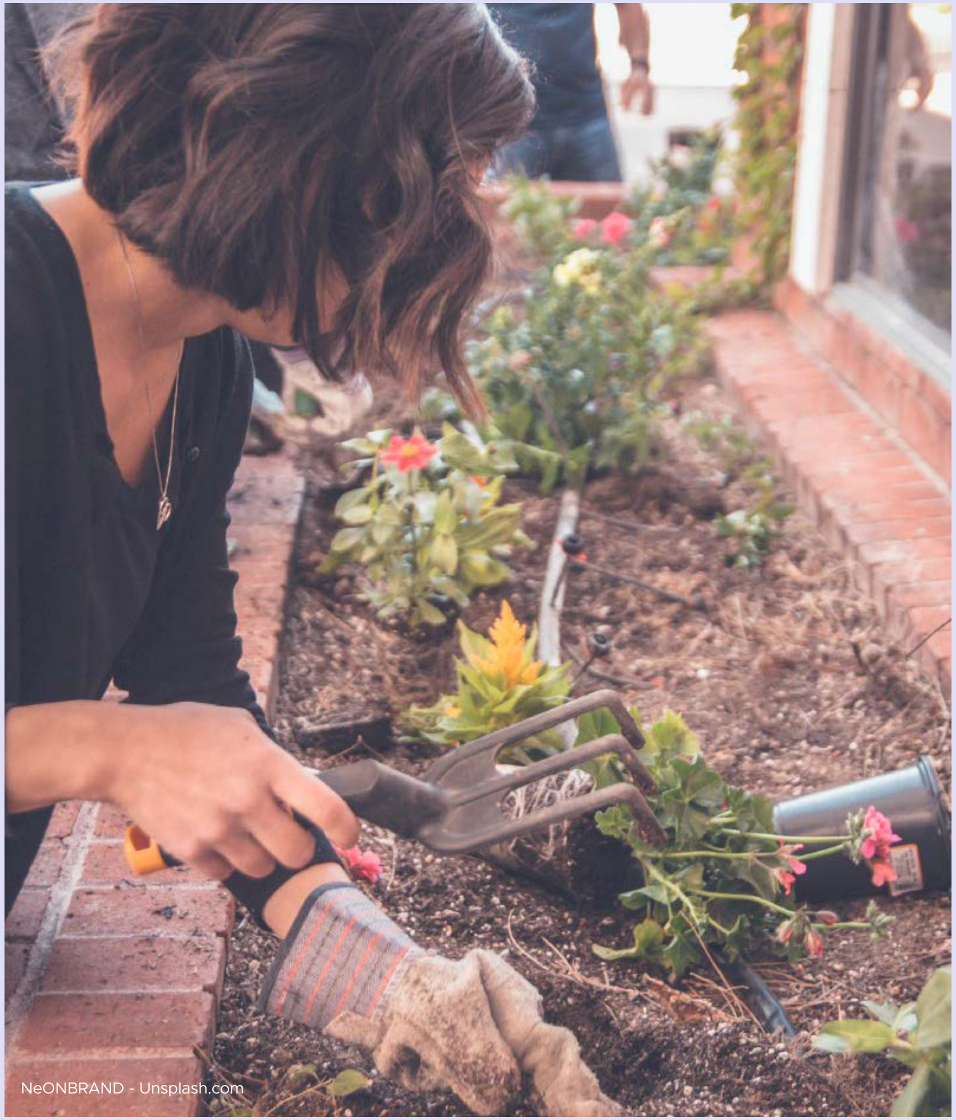
9. Cultural heritage provides an essential stimulus to education and lifelong learning, including a better understanding of history as well as feelings of civic pride and belonging, and fosters cooperation and personal development.

10. Cultural heritage combines many of the above-mentioned positive impacts to build social capital and helps deliver social cohesion in communities across Europe, providing a framework for participation and engagement as well as fostering integration.

Quoted from the Cultural Heritage Counts for Europe report (2015)

Case studies related to these findings are available in the Cultural Heritage Counts for Europe report (2015).

4. Good governance, risk and public policy opportunities



NeONBRAND - Unsplash.com

The reporter of the newspaper approaches the windmill. There are so many people that he does not know where to start. Then an old man looks at him and says, 'I know who you are looking for, she is in the garden on the other side of the building.'

'Congratulations on winning the social entrepreneur of the year award!' He says enthusiastically while she pours him a cup of tea. She responds, 'the award is for everyone you see here on our wall of fame.' The reporter looks at dozens of faces displayed on a messy bunch of photos hanging on the wall.

'Well apparently it takes a village to raise a flower.' She smiles. 'Now that everything is up and running, what would you describe as the most important moment?' It takes a few seconds before she responds. 'Well, it may be a very boring answer, but it was the launch of the Flower Foundation. This turned enthusiasm into commitment. Without it, we would not have gotten the proper financing and we would not be able to interact with our partners.'

Good governance

Good governance is a precondition for financing. It also enables a smooth interplay with public policy and regulations. This in itself reduces the risk for investors while having a good governance structure in place also allows other risk mitigation measures to be incorporated. All of this increases investor confidence and thus results in better financing deals.

This third and final chapter provides the good governance building blocks that can make everything fall into place. It helps steer the trade-off between the operability and the diversity of business, financing and governance models. What does good governance look like? What governance models are available? How can risk be mitigated and what public policy opportunities are out there?

Perspectives of financing experts on good governance

You don't always need to invent new mechanisms. Existing governance structures can be used for many things.

Irma Langeraert, director of AndersFinancieren

Rules and regulations are based on the 'risk-rule-reflex.' Risk managers only see risks when they look at the world. I once saw an entrepreneur say: 'well I quit, then all risks are gone'.

Liesbeth Soer, Director Catalytic Investments, Triodos Regenerative Money Centre

Community enterprises are usually seen as a high risk investment. Getting the governance of a community enterprise right is a precondition for financing.

Martijn Arnoldus, founder of Social Finance Matters

Too much public involvement can slow down entrepreneurship.

Martijn Arnoldus, founder of Social Finance Matters

You cannot always answer the questions of day ten on day one, especially deciding on governance structures.

Theo Stauttener, partner at Stadkwadraat, co-initiator of the Citymaker-Fund

Governance building blocks		
Governance models	**Risk mitigation measures**	**Public policy opportunities**
• Partnership • Limited partnership • Limited liability company (LLC) • Corporation • nonprofit corporation • Cooperative • Association • Foundation • A building preservation trust • Community foundation • Community Land Trust • Steward-ownership • Community business	• Co-financing • Grants & subsidies • Match funding • Insurance • Guarantee schemes • Community involvement	• Tax incentives / fiscal schemes • Pan European Crowdfunding regulation • Favourable public priorities • Public procurement

Governance models

Without a good governance structure it is difficult to attract financing and make business models work. The governance structure forms the foundation for all the activities that make cultural heritage generation work. Please consult an expert (lawyer) to determine the suitable legal form for your project or programme.

The most common legal forms are a partnership, limited partnership, corporation, nonprofit corporation, cooperative, association and a foundation. More information on those is available **here**. Governance models specifically related to urban heritage regeneration are building preservation trusts, community foundations, community land trusts, steward ownership and the community business. These are explained now in more detail.

Building preservation trusts

A building preservation trust is a nonprofit organisation with a mission to preserve a specific cultural heritage site or building. They are most common in Great Britain, Ireland and Switzerland. These trusts often connect and involve the local community, private institutions and public bodies to provide complimentary resources to conservation efforts. The building preservation trust is an effective vehicle to attract different funding models such as revolving funds and funding sources including crowdfunding, philanthropy and public grants. For example, the Hastings Pier Charity crowdfunded 590.000 Pounds from over 3000 people who are now the pier's co-owners. The campaign was the final piece of the 14 million pounds Heritage Lottery Fund restoration project. Two years later in 2016 **the pier reopened.**

Building preservation trusts in Great Britain, France and Ireland

The Landmark Trust (Great Britain) is a charity created in 1965 that manages pools of capital. Thanks to its revenues, it rescued more than 200 historic and architecturally interesting buildings and their surroundings from neglect. Once they have been restored, the buildings are turned into places to stay for a holiday, which gives a new functionality to the unused buildings.

The Irish Georgian Society

In France, "Pierres d'histoire" is a tourism enterprise, offering locations in exceptional heritage places, and paying particular attention to the presentation of local heritage.

The Irish Georgian Society's Conservation Grants Programme is supported through the fundraising efforts of its London Chapter. Over the last six years, the Society has supported over fifty significant conservation projects around Ireland including works to country houses and castles, thatched cottages and historic townhouses, architectural follies, and churches.

Quoted from the background paper on the 2021 Workshop on complementary funding for cultural heritage.

Governance models

Talking institutions for collective action

WITH TINE DE MOOR
PROFESSOR SOCIAL ENTERPRISE & INSTITUTIONS FOR COLLECTIVE ACTION, ERASMUS UNIVERSITY ROTTERDAM

What are institutions for collective action?
Institutions for collective action are organisations formed bottom-up by the immediate stakeholders, whose aim is to work together to pursue personal (material) and societal interests. Historically institutions for collective action keep emerging. Whenever there is a common need, people can organise to collectively arrange that need. Normally, sufficiency is a principle, participants don't need or take more than what's necessary. Often there are regulations around the sufficiency principle. Profits are distributed based on needs, not wants. These are the principles of the commons.

What's the status quo today?
At this stage the most important thing is to recognize the diversity among initiatives and their contexts. There is not one single approach. Cooperatives for example offer different ways to keep the social and economic returns in the loop. In energy generation social returns are usually a by-product that comes at a later stage. While in health cooperatives, the social return is more relevant from the start.

How can institutions for collective action enable healthy business models in urban heritage regeneration?
It can be a big help if the community can really utilise the heritage site. There's an example of a school building that was used for classes during the day, and for workshops of local entrepreneurs in the evening. The sharing economy really is a good opportunity for making different business models possible. This does require a good inventorisation of the needs of the different users. Can people find each other in the different functions? Financing is not just collective capital, but also avoiding costs.

What are the challenges?
Underestimating the actual costs of maintaining heritage is a risk. Citizen collectives need to make realistic plans. Civil servants should take each citizen-collective seriously. But also expect those collectives to take the heritage regeneration seriously. Trust is a key issue. Do the public institutions and funders believe in the community? And vice versa? Civil servants are also citizens in the end. Also, the most active citizens tend to be the more privileged, governments should take care that heritage regeneration happens inclusively.

3 X Cultural Heritage supported by community foundations

Aluksne Community Foundation in Latvia provided a grant to a group of volunteers to improve and clean a historic Livonian settlement and ancient burial field, a cultural heritage monument of local significance. Another grant was provided for renovation of a historic wall in a manor complex, a cultural heritage monument of national importance.

Nitra Community Foundation in Slovakia supported children groups to preserve the ruins of four medieval castles near the city. Under the guidance of an enthusiastic history teacher, the young people learn about the history of the region and do simple maintenance and clean up work. During the winter children meet with various historians and archaeologists to deepen their knowledge of local history.


Mircea Gherase

Supported by a small grant from the Talsi community foundation, the Arlava region history and cultural heritage was documented and a tourist route around Arlava surroundings developed, including a tourism brochure. Supported by the Healthy City Community Foundation in Banska Bystrica, Slovakia, a group of local activists reconstructed part of historic Via Dolorosa, which is now a segment of a tourist trail and bike path.

Quoted from the 2007 Social Development Notes by the Worldbank.

Governance models

Community Foundations

Community Foundations are independent organisations that provide grants to support a variety of projects identified and implemented by local citizens. They are formed as partnerships between local civil society organisations, the business community and governmental bodies and are independently registered.

Community Land Trusts

Whereas in a cooperative every member is a shareholder of a collectively owned property, Community Land Trusts (CLTs) allow for a more diverse ownership structure. Most importantly the ownership of the land gets separated from the ownership of the built assets, and the tripartite form of governance prevents any exclusive decision making. Residents, the civil society (wider community) and public authorities have equal power. As a result, CLTs can acquire, protect and develop real estate assets for the common good and for local communities. Affordable housing is a common goal but entrepreneurial activities could also be facilitated by this governance form. In any case the land is taken off the market and the cost of land is excluded from any transactions. This results in various benefits:

Governance models

- Forever affordable.
- (Home) Ownership for low-income households, artists and entrepreneurs.
- An inclusive design process for affordable live and workspaces.
- A governance form that enables community engagement naturally.
- A way for governments to redefine its own role and its traditional distribution capacity towards a more inclusive and resilient form of urban development.

Community Land Trusts have stewardship of the common good in their nature. The CLT Brussels described in the box below was the first of its kind in Europe, following hundreds of examples from the United States and the United Kingdom. Today many new Community Land Trusts are being established across Europe. More info: **Urban Maestro Project.**

Community Land Trusts Brussels

The Community Land Trust Brussels (CLTB) acquires real estate assets and protects them for the common good. It has a dual juridical structure: a non-profit association and a Foundation of Public Utility (FPU). The FPU acquires and manages land and buildings, while the association develops them and guides the prospective inhabitants and other users throughout the entire process leading to the realisation of their projects: from the first informative sessions to the support provided to the community projects initiated by the inhabitants. The non-profit association “Community Land Trust – Brussels” (CLTB) is in charge of the daily management of the real estate assets owned by the Foundation. It also hires staff responsible for the installation and follow-up of the housing projects as well as for supporting the household buyers and the movement’s activities.

The General Assembly takes the most important decisions and elects the non-profit association’s directors. It has a tripartite structure that assures an equal distribution of decision-making power. For example, the one-third of “Residents” is elected by the occupants of an accommodation or premises on a CLTB plot of land, with each category having a seat dedicated to the candidates awaiting housing, which is appointed by them. The “Civil Society” third is elected by the active members who do not benefit from CLTB housing or premises. Lastly, the government of the BrusselsCapital Region designates the remaining one third of “Public Authorities”. The CLTB is committed to ensuring that the interests of all of its development actors are represented within its Board of Directors as well—therefore, the board includes residents, locals and members of civil society alongside the representatives of public authorities.

Funding

The Region mostly funds the Community Land Trust of Brussels, but additional funding is collected every year thanks to donations and partnerships built into the framework of larger projects and collaborations at the national, European and international levels. In addition, for every project, initiative, or community project initiated by the inhabitants, and for any specific task set out to be accomplished by the organisation, the CLTB seeks out the appropriate calls and available opportunities from the range of regional initiatives and policy frameworks.

The inhabitants contribute by purchasing their housing units. In most cases, a loan is necessary in order to provide the required amount of money. While households are free to choose any credit or financing institution, low-cost loans are made available by the Fonds du Logement. This public utility cooperative operates in the framework of the Regional policies and with the support of the Region. It provides invaluable support for the housing related expenses of low and middle-income households.

Quoted from the Urban Maestro projects Community Land Trust publication, 2020.

Governance models

Talking a heritage-led Community Land Trust: The Veerhuis

Wikimedia

WITH HENRY MENTINK
CHAIRMAN UNO FOUNDATION VEERHUIS, FRIENDS OF THE EARTH CHARTER

What is The Veerhuis?
The Veerhuis (ferry house) is part of the municipal heritage and operates a do and knowledge home for the new economy. It is organised as a Community Land Trust. There is the land, the community and the entrepreneur leveraging the value of the land, for the benefit of the community. There needs to be a balance between these three. The legal entity can take various forms, but in all cases the land is taken off the market.'
More information: **Veerhuis website.**

How is the Community Land Trust governed?
The governance model for our Community Land Trust is a shared partnership. It does not require a notary, only for sending invoices we need a legal entity. The starting point is the heart and passion of the partnership and the people in it. We avoid discussions when we have meetings but use different formats that prevent competition and promote sharing ideas. If someone has an idea, he or she can do it, we only ask to do a sanity check with one or two others.

What is the value of local ownership?
I know a farmer who desperately wanted more land in order to be profitable. He got a different advice. Sell 40 of your 65 cows and sell all machinery. Then sell the farm to the community living in your village, and start working for them. This works. You get a new kind of entrepreneurship where value is embedded locally. This also blends the difference between a customer and an employee. The membrane between the business and the customers can let through more, including financing and contributing to the value creation.

Governance models

Talking community businesses

RICHARD HARRIES
FORMER DIRECTOR OF R&D, POWER TO CHANGE TRUST.

How are community businesses financed and how does Power to Change make investments?
At Power to Change we provided fairly large capital investments. When looking at the application we mainly looked at the strength of the business case, not at what we might think is best for the community, we know they know that better than us. Community businesses do use local funding and crowdfunding. The use of **community shares** allows the community to own a part of the business. Since 2012 over 100.000 people have raised over 150 million pounds. Each shareholder has one vote, independent of how many shares they own. This enables democratic local ownership. In a previous program supporting community pubs, there was a small bursary to get the community started, followed by a much larger grant to support the asset transfer process. To our surprise, many groups did not take the second grant but opted for community shares instead. This shows their entrepreneurship – not waiting for the grant, but moving on by themselves.
Read more **information** about community shares.

Can you give us an example of a community business?
Ten years ago in Leeds the council decided to close a swimming pool and leisure centre, originally built in 1908 and including a Russian steam room. It was much loved by the local community but the council was losing a hundred thousand pounds a year running it. The community said they would like to try to take over the centre and run it. The council then said they would find savings elsewhere to keep the building open, but the community said "no, we will do it". They have been running it **successfully** for 10 years now, in part through the use of volunteers alongside the necessary professional staff, but also because they are very entrepreneurial. They run an 'underwater cinema club' and support local art shows. There is nothing they do that the council couldn't have done but it is different if it's owned by the local community. This is a pattern we see over, and over again. It's not about doing things 'better' but about doing them differently. Community libraries are a similar example. The volunteers who run them are mad about books and libraries, and that energy helps them to find creative ways to generate the income they need.

What is the role of community businesses in urban heritage regeneration?
Community businesses are an ideal form for urban heritage regeneration. The physical connection of local people to a place is very powerful. There is a good example in Birmingham. The local community business operated out of premises right next to a beautiful Church of England building. One quarter is still a working church, the rest is an activity centre. The council could not run it and asked the community business to take over. However, they don't own the asset and so cannot raise money to renovate it. Now it is getting worse and worse. All that needs to happen is to properly transfer the lease to the community business. But it is in no one's particular interest to make it happen – not the council, not the Church of England. Yet if you can get the finances and the legalities right, transferring assets to community businesses can be transformational.

Governance models

Steward-ownership

Steward-ownership makes sure that a company is 'self-owned' so that it can stay true to its purpose. Stewards are people close to the company and hold the voting rights. This self-governance structure follows the principle that profit serves purpose: 'profits cannot be privatised and are reinvested in the company or donated to serve the mission of the company.' Investors and founders are fairly compensated but cannot extract additional value out of the company.

Community business

There are many types of community business. They can be shops, farms, pubs or call centres, among many other types of business. There is no fixed legal model. It can be a social enterprise or a regular business or a community benefit society. What they all have in common is that they are accountable to their community and that the profits they generate deliver positive local impact. The four key features of a community business are:

- Locally rooted: They are rooted in a particular geographical place and respond to its needs. For example, this could be high levels of urban deprivation or rural isolation.
- Trading for the benefit of the local community: They are businesses. Their income comes from things like renting out space in their buildings, trading as cafes, selling produce they grow or generating energy.
- Accountable to the local community: They are accountable to local people, for example through a community share offer that creates members who have a voice in the business's direction.
- Broad community impact: They engage with a variety of different groups in their community and deliver impact against a range of different community needs. They may have a specific focus on a disadvantaged group. Their services and products should respond to community needs.

Explore various community businesses stories at the power to Change **website.**

Risk mitigation

Every project is unique and past successful alternative finance and risk mitigation combinations from other projects cannot be copied without research. Different combinations of financing models and risk mitigation instruments result in different risk reduction outcomes for each stakeholder. Many forms of risk mitigation are a form of co-financing. By including multiple financing sources, the risk for everyone is reduced. A lot of different factors are involved when choosing the right alternative finance and risk mitigation instruments and this is always tailored work.

Match funding and grants and subsidies are explained in chapter three. They simply reduce risk by adding equity to the project which does not need to be repaid. This in itself makes the investment for other investors more safe. Having proper insurance contracts is a straightforward way to reduce risk. The other risk mitigating instruments are explained in more detail here.

Guarantee schemes

A **guarantee scheme** is an agreement under which a third-party (guarantor) agrees to be directly or collaterally responsible for the obligation of a first party. In this case the reimbursement of a loan to a bank. Guarantee schemes are a risk sharing mechanism as liability is spread out across multiple stakeholders. The risk for the investors is lowered which makes the investment more attractive. A guarantor can provide a loan guarantee to investors that (partly) repays their investment in case of a default. The guarantors thus only pay if the project fails.

Different levels of governments but also NGOs, the community and even insurance companies can be guarantors. Having a guarantee is extra attractive to community investors since those do not usually have the means to diversify their investments and reduce their risk. When guarantees are used, interest rates may be lowered to offset the costs of setting-up the guarantee scheme. An example of a guarantee scheme is the **European Investment Fund** (EIF). This fund manages the Cultural and Creative Sector Guarantee Facility (CCS GF) on behalf of the European Commission. This financial mechanism acts as insurance to financial intermediaries offering financing to cultural and creative sector initiatives.

Guarantee schemes are used to reduce the risk for the investors and thus making investing more attractive. A guarantor can provide a loan guarantee to investors that (partly) repays their investment in case of a default. Different levels of governments but also NGOs and even insurance companies can be guarantors. Having a guarantee is extra attractive to community investors since those do not usually have the means to diversify their investments and reduce their risk. When guarantees are used, interest rates may be lowered to offset the costs of setting-up the guarantee scheme.

Crowd guarantees is an interesting concept. If you have a 1000 people who provide the guarantee for the amount, then the bank will be much more likely to provide the financing.

Theo Stauttener, partner at Stadkwadraat, co-initiator of the Citymaker-Fund

Guarantee schemes in action

The Kresge Foundation in Michigan (USA) provides loan guarantees by committing a portion of its grant budget to provide for possible calls on the guarantee. This enables borrowers to source and leverage capital from other financial sources and preserve the foundation assets (www.kresge.org). Providers of a guarantee may, or may not, charge the borrower a fee for the guarantee.

Governments and private foundations may also provide guarantees for mission focused bond issues to enhance their credit rating. For example, Bill and Melinda Gates Foundation provided a bond guarantee to create leverage in the form of a 10.000.000 dollar guarantee for 67.000.000 dollar bond issue for a charter school bond. By offering a guarantee of a bond issue, the Gates Foundation was able to stimulate the flow of millions of private investment capital into a social purpose activity, at below market rates, without expending any of its own resources.

Quoted from the CLIC projects deliverable 4.1: 'Overview of Hybrid Financial Instruments and Investment Leverage Enablers for Cultural Heritage Adaptive Reuse'

Risk mitigation

Community involvement

Community involvement can support risk mitigation and vice versa. Risk mitigation can be a very powerful tool to facilitate community involvement. Two questions are crucial: what is the risk appetite and what is the risk absorbing capacity of the various stakeholders?

	Private investor	**Public investors**	**Crowd**	**Community**
Risk appetite?	?	?	?	?
Risk absorbing capacity?	?	?	?	?

7X fiscal instruments in action

- In Austria, the cost of repair or necessary interventions to historic buildings can be deducted by companies and individuals on income tax up to 10%.
- In Denmark, local land taxes may be suspended for historic buildings.
- In Greece, the income derived from historic buildings can benefit from a deduction of up to 30% on account of costs of repair and maintenance.
- In Spain law 49/200211 established a set of deductions applicable to the donations supporting the historic Spanish heritage assets.

Quoted from the background paper on the 2021 Workshop on complementary funding for cultural heritage.

- In Italy, Art bonus provides a tax credit of 65% for donations that support Italian public cultural heritage. The tax credit is available to individuals, non-profit entities and businesses for charitable contributions supporting maintenance, protection and restoration of public cultural works, including monuments, historic buildings and works of art, and the work of public cultural institutions. A list of projects are published online for donors to choose from.
- In Croatia, 'Monument Rent' is a mandatory tax, prescribed by the national law, on the use of cultural heritage, to leverage state revenue for the protection of cultural heritage. Local government budgets receive 60% of the tax revenue and the state budget receives 40%. The tax is levied based on the net internal area of commercial premises and 0.05% of wholesale or retail sales of specified consumer goods.
- In Ireland, the Living City Initiative (LCI) is a place-led tax incentive scheme, in place to assist and encourage people to live in historic inner-city areas. The incentive allows owners and investors to claim tax relief for qualified expenditure on the refurbishment and/or adaptive reuse of residential property including street level commercial property. The tax relief takes the form of either an income tax relief for owner occupied residential property or a capital allowance.

Quoted from the CLIC projects deliverable 4.1: 'Overview of Hybrid Financial Instruments and Investment Leverage Enablers for Cultural Heritage Adaptive Reuse'

This research paper provides a comparative analysis of crowdfunding tax incentives in the United Kingdom, France, Spain, Italy and Belgium.

Public policy opportunities

Public policies provide a diverse set of opportunities for the financing of cultural heritage. These may differ per country. This section outlines the main opportunity areas worth exploring.

Public policy opportunities

Tax incentives

Fiscal schemes, also known as tax incentives, are the key mechanism to bring investment flows in line with public policy. The most notable examples are income tax, Value Added Tax (VAT), wealth tax, gift tax and inheritance tax are public policy instruments that can be tailored to the needs of cultural heritage assets. Common examples are the tax deductibility of repair costs as well as donations for the conservation and acquisition of heritage assets. These donations are encouraged through a variety of income tax deductions. Some countries provide tax incentives for sponsoring art. Well-functioning regulatory and strategic frameworks allow for corporate giving and patronage.

There are also general investment tax reliefs which could be of interest for heritage entrepreneurship, such as the **Enterprise Investment Scheme** (EIS) and **Seed Enterprise Investment Scheme** (SEIS) tax regimes in the UK. Both are designed to encourage investment in SMEs and offer tax reliefs to individual investors who buy new shares. Future earnings are tax free and incurred losses are tax deductible.

Cultural heritage can benefit from diverse non-heritage related tax benefits. In Italy for example there are tax incentives related to the energy transition. The National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA) promotes **'Eco Bonus' Tax Credits**. This is a personal and corporate income tax credit related to a part of the investment costs for energy efficiency projects in existing

Tax incentives check-box

Tax incentive / fiscal scheme	**Explanation**	**?**
Sponsorship incentives	Income / corporation tax relief for donations and legacies bequeathed to non-profit cultural trusts and foundations.	
Income tax credits	Deduction of a fixed percentage of specified expenditure from income tax liability.	
Corporate tax credits	Deduction of a fixed percentage of specified expenditure from corporate tax liability.	
Property tax Incentives	Deduction, exemption or temporary freeze of property tax.	
Value Added Tax (VAT)	VAT reduction for activities taking place at the cultural heritage site. (A specific VAT reduction for cultural heritage activity does not exist yet).	
Inheritance, Transfer and Capital Gains Tax. Goal: to relieve the financial burden of private stakeholders in the adaptive reuse of cultural heritage	Incentives to prevent the demolition and replacement.	
	Incentives to reduce the cost of repair, adaptation and maintenance.	
	Incentives to encourage heritage donations, such as cash, property, easements and transfer development rights to non-profit heritage bodies.	

Inspired by the CLIC projects deliverable 4.1: 'Overview of Hybrid Financial Instruments and Investment Leverage Enablers for Cultural Heritage Adaptive Reuse'

Public policy opportunities

buildings. In Italy this tax credit provides for up to seventy percent but it can be combined with other credits such as the Seismic incentive and reach up to 85 percent of incurred costs. Interestingly the money can also be claimed upfront if needed. In 2020 the government added more energy and seismic related incentives to counteract the economic shock of the pandemic and now up to 110 percent of the expenditures got covered.

Tax benefits and fiscal schemes vary throughout Europe. Therefore it is important to analyse the local situation and not miss out on any fiscal opportunities. The box below helps to get a first overview of what tax incentives are relevant. Can you build a 'tax incentives stack' that benefits a heritage site near you?

Pan-European crowdfunding regulation

Both the cultural heritage and the financing landscape are evolving. This results in new opportunities for heritage regeneration.
In November 2021 the new **pan-European crowdfunding regulation** for European Crowdfunding Service Providers (ECSP) came into force. This should lead to uniform rules across the EU for investment-based and lending-based crowdfunding. As a result, crowdfunding for cultural heritage regeneration should become easier too.

Favourable public priorities

Both the cultural heritage and the financing landscape are evolving. This results in new opportunities for heritage regeneration. In November 2021 the new pan-European crowdfunding regulation for European Crowdfunding Service Providers (ECSP) came into force. This should lead to uniform rules across the EU for investment-based and lending-based crowdfunding. As a result, crowdfunding for cultural heritage regeneration should become easier too.

The Eurocities Cultural Heritage in Action **report** provides trends, challenges and 10 steps towards sustainable local cultural heritage policies.

Public procurement

Gaining a large local customer can help the business model take off. Governments may adopt procurement schemes in favour of certain products and services. Increasingly fostering the circular economy, or the better utilisation of space and resources is part of public procurement schemes. The Canadian car sharing cooperative Modo got off the ground quickly after the local government decided to encourage employees to use the platform when in need of a car. HUB-IN City Belfast shared one of their public procurement schemes.

5. Keep going

Heritage-led regeneration of Historic Urban Areas is not about reading guides and catalogues. It is the action at the ground that makes things happen. Our interactive dialogue tool, the HUB-IN Alliance as well as various other resources that we are developing during this journey are explained in this final chapter.

Visit the HUB-IN Atlas

Are you looking to explore the cases presented in this guide in more detail? Or are you eager to explore more examples of heritage-led regeneration of Historical Urban Areas? Then visit the **HUB-IN Atlas.**

The interactive dialogue tool

This guide provides an overview of all the value, business model, financing model and governance models related building blocks that make up successful cases of heritage-led regeneration of Historic Urban Areas. But how can these building blocks be connected to your local context? The first step towards the answer is the HUB-IN Interactive Dialogue Tool that will be developed in 2022. It is part of the HUB-IN Toolkit and will be published on the **HUB-IN website.**

HUB-IN Alliance

The HUB-IN Alliance is a network of cities, working on heritage-led regeneration of Historic Urban Areas. in urban heritage regeneration. **Do reach** out to us if you are interested.

HUB-IN

Go have a look at the **HUB-IN website**, watch this introductory video, or browse the **HUB-IN Framework**.

A big thank you to everyone who contributed to this report.

For more information on business models, financing models, crowdfunding and community finance, please contact Ronald or Pieter at CrowdfundingHub.

Ronald Kleverlaan: Ronald@CrowdfundingHub.eu
Pieter van de Glind: Pieter@CrowdfundingHub.eu

For further information on this part of the report or HUB-IN coordination, please contact Vera, WP1, at Agência de energia e ambiente de Lisboa (Lisboa E-nova).

Vera Gregório: veragregorio@lisboaenova.org

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 869429.

CrowdfundingHub