

Responsibility for Brownfields Revitalisation

Bank Austria
Creditanstalt

Banking for success.



UNEP Finance Initiative
Innovative financing for sustainability

What is the Environmental Responsibility of Banks?

22.6.2006, Athens











Sultana Gruber

Bank Austria Creditanstalt at a glance

- As a sub-group of **UniCredit Group**, **Bank Austria Creditanstalt** is the **market leader** in the Austrian banking sector (**1.8 million customers and 18% market share in Austria**)
- **Assets: 159 billion €**
- **Shareholders' equity: 7 billion €**
- **Leading banking group** in **CEE/SEE** with a presence throughout the region and **5.5 million customers** (without HVB/UniCredit CEE banking subsidiaries)
- **BA-CA is responsible for the markets in 24 countries with more than 300 million inhabitants.**
- Most extensive network of about **400 branches in Austria** and about **1,200 outlets in CEE** (without HVB/UniCredit CEE banking subsidiaries)
- **Staff: 31 792**

www.ba-ca.com

Merger-history of BA-CA

1991	1997	2001	2002	2005
<p>Merger of Zentralsparkasse and Länderbank to Bank Austria</p>  <p>Total assets: € 19bn Employees: 5,331 Offices: 226</p>  <p>Total assets: € 17bn Employees: 4,259 Offices: 162</p>	<p>Acquisition of Creditanstalt</p>  <p>Total assets: € 55bn Employees: 10,279 Offices: 535</p>  <p>Total assets: € 50bn Employees: 9,845 Offices: 336</p>	<p>Bank Austria joins HVB Group</p>   <p>Total assets: € 160bn Employees: 33,827 Offices: 1,284</p>	<p>Legal merger with Creditanstalt – new brand</p>  <p>Total assets: € 148bn Employees: 29,767 Offices: 1,345</p>	<p>Bank Austria Creditanstalt joins UniCredit Group</p>    <p>Total assets: € 159bn Employees: 31,792 Offices: 1,570</p>

The new BA-CA network in Central and Eastern Europe

BA-CA country responsibility

Current presence:

- Austria
- Bosnia-Herzegovina
- Bulgaria
- Croatia
- Czech Republic
- Hungary
- Macedonia
- Poland*
- Romania
- Serbia and Montenegro
- Slovakia
- Slovenia

New countries with existing units

- Greece
- Estonia
- Latvia
- Lithuania
- Russia
- Turkey**
- Ukraine**

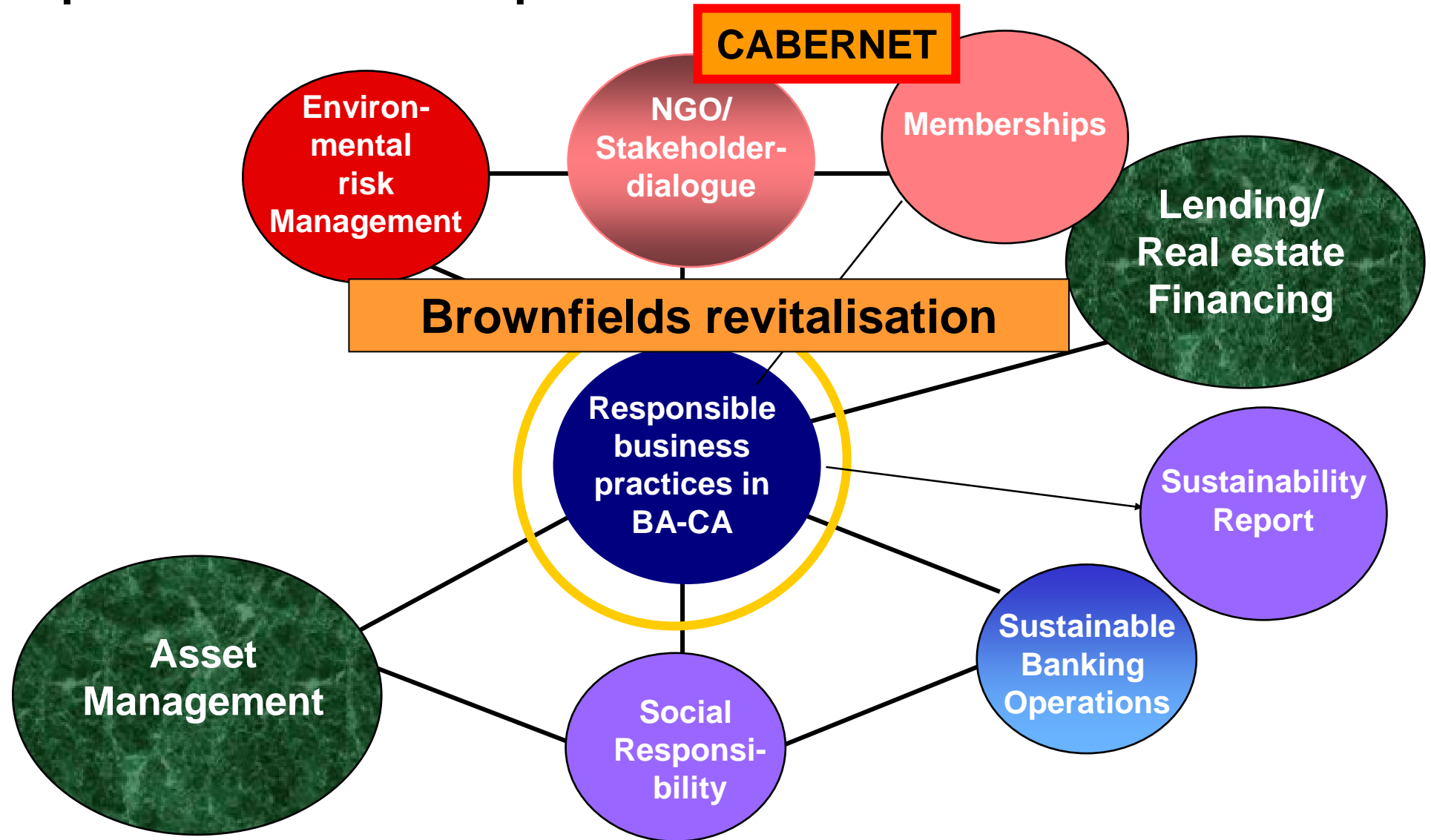
New countries without existing units

- Albania
- Armenia
- Azerbaijan
- Belarus
- Cyprus
- Georgia
- Kazakhstan
- Moldova

* under management of UCI
 **not yet decided



Implementation of Responsible Business Practices



Sustainable banking products

Lending

Project finance
water & renewables

World Bank standards/
Equator Principles

Biomass in Bulgaria, Svilosa
Windpark in Croatia

EIB global loan for
env. protection

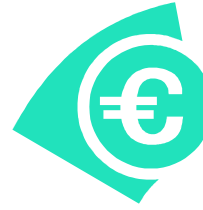
Carbon finance /
Kyoto mechanisms

Tsankov Kamak in Bulgaria

Real estate
financing operations

Monitoring
environmental and
social risks

Asset Management



BA-CA:

CI Ethik Fonds

HVB:

Activest EcoTech

Unicredit:

Pioneer funds:

Global Ethical Equity fund

Pioneer Bond Euro Corporate
Ethical Fund

Brownfields revitalisation

Brownfields (CABERNET definition*)



are sites which

- have been **affected by former uses** of the site or surrounding land;
- are **derelict or underused**;
- are **mainly** in fully or partly developed **urban** areas;
- **require intervention** to bring them **back to beneficial use**; and
- **may** have real or perceived **contamination** problems

*) This definition has been refined from an original definition proposed by CLARINET 'Brownfields in Europe' Working Group 1.

Brownfields result from...



■ **...changing patterns of industry and development** in many regions. The **loss of the industry**, the resulting **unemployment** and the **reluctance of new investors to take** on the technical problems and **liabilities** associated with brownfield sites, **affect the economic prosperity of the region**, particularly in urban locations.

■ **Municipalities** are often **unable to revitalise** brownfield from within their own resources, and their city centres and environs remain degraded and under-utilised.

Globalisation, Growth and limited resource soil



- **Growth** is inevitable and it is an integral part of our economy.
- **Unmanaged growth** can have **unwanted environmental and economic consequences**.
- **Expansion:** how should society grow in consideration of **future generations** and **resources**?
- **Growth** cannot be stopped, but it can be **channelled and directed**.
- From a global perspective, infinite growth on a planet with **finite natural resources** e.g. **soil** is clearly impossible.
- Recognising that there are **physical limits** to the amount of **available space**, the **efficient use** of this space is extremely important.
We not only must **reuse brownfields**, but we must practice sustainable development in order to ensure that we do **not create more** of them.

*"...in every case they made the ground to suit their plan,
and not the plan to suit the ground."*

Mark Isambard Brunel -Engineer (1769-1849)

CABERNET



- **CABERNET (Concerted Action on Brownfield and Economic Regeneration Network)** is the European Expert Network addressing the complex multi-stakeholder issues that are raised by brownfield regeneration
- The Network's aim is to **enhance the rehabilitation of brownfield sites** within the context of sustainable development of European cities, by sharing experiences from across Europe, **providing new management strategies, innovative tools, and a framework for coordinated research activities.**
- **BA-CA is a member of CABERNET**

www.cabernet.org.uk

Announcement for the next CABERNET conference:

- **CABERNET 2007 - The 2nd International Conference on Managing Urban Land**
- **25-27 April 2007, Stuttgart, Germany**
- The 2nd International Conference on Managing Urban Land is presented by **CABERNET** and [REVIT](#), in association with [University of Nottingham, UK](#) and [Umweltbundesamt \(Federal Environment Agency\), Germany](#).
- The First Announcement of the Conference (including details of the exact dates, venue, abstract submission process) will be available in January 2006
- If you are interested in becoming a Sponsor of CABERNET 2007 or require any other further information (e.g. Exhibition Opportunities, Paper Submission details), please do not hesitate to contact the CABERNET 2007 Organising Committee at cabernet@nottingham.ac.uk



Brownfields in the Context of Environmental Responsibility of Banks

■ Risks

- Considering environmental aspects in the **credit evaluation rating system, BASEL II**
- Check-lists, training programs, site inspection, external experts: lawyers and consultants

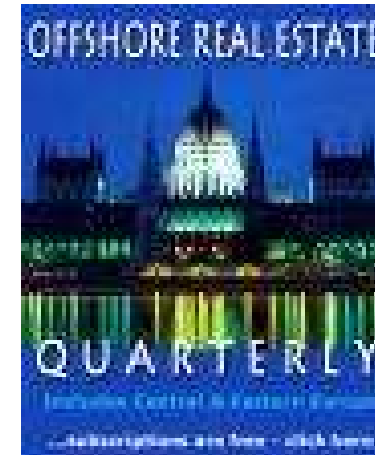
■ Opportunities: Innovating products and Stakeholder Dialogue

- CABERNET Membership
- Member of Austrian Society for Brownfield Management
- Member of the Task Force for Brownfields in The Austrian Standards Institute

■ CSR – Responsibility (Company acts as an environmentally responsible corporate citizen)

- Government (representatives of ministry, and lending institutions work together to provide **less stringent clean-up standards** for a site **for certain uses**)
- **Protection of greenfields**, recycling, open space preservation ...
- Contribution to **sustainable development** → no “hands off” policy, but new solutions

Brownfields and the CEE Countries



- Also **CEE** countries are **faced with enormous legacy in terms of contaminated land**.
- On the other side there are significant **opportunities**, because in CEE countries there is a **larger proportion of former industrial derelict land** in city centres or closed to major conurbation.
- As many companies moving to **CEE countries** prefer green-field sites, a **process of rethinking** will be necessary to change this situation.

Costs and Risks in case of Contamination



■ Costs:

- The mere suspicion can increase the loan transaction costs: Information, EDD, environmental site assessment, removal of the contaminated soil, ornamental planting-backfill, demolition or renovation,...

■ Risks (legal and financial):

- Liability risk
- Claims by third parties, restriction of the rights of use
- Cleanup costs liability (even if borrower is not the polluter)
- Collateral risk: if we have to foreclose at a later date: lower value of our collateral or lose the full collateral value
- Will the full **economic potential** of site reuse be **achieved**?
- **Market risk**: Demand of properties, viability

Risk Assessment versus Risk Management and Decision Making



■ Risk assessment:

is the process evaluating the **likelihood of an adverse effect**. Risk assessment does not determine **what level of risk is allowable or acceptable**.

■ Risk Management:

Determining what we will be allowed or accepted is a part of ***Risk Management***.

■ Decision Making- ***Risk-Benefit Analysis***

Balancing costs and benefits is also a very important factor in decision making. ***Risk-Benefit Analysis***: to **measure** or quantify the level of **risk** and the level of **benefit associated** with a particular **regulatory decision**.

Balancing costs and benefits, cost effectiveness, driving forces of the project, future use, economic viability, involving stakeholders, managing uncertainties, feasibility study, legal framework and sustainable development are important issues in the **risk based land management and financing** of brownfields redevelopment.

Alleviation of the Risks



- **Environmental assessment, due diligence**
- **Consulting environmental lawyers and engineering experts**
- **Co-operative** working relationship with **environmental regulators** helps to communicate concerns and develop a **clear understanding** and expectations
- **Avoiding delay** (additional costs: new regulatory changes)
- **Additional assurances**, indemnification, escrows

Additional Assurances



- Ask for **another mortgage**, inventory and equipment
- **Cash flows**, personal **guarantees**, **insurance** products (Cost overrun Insurance Cleanup Liability Insurance)
- **Constructing** the buildings in **several phases** to make funds available for the latter phases
- **Subdividing into smaller parcels** (while the seller cleans up the contaminated section, the buyer can redevelop the clean parcels)
- **Agreements** in the **purchase contract** (seller-buyer)
- **Joint-ventures** (seller has a share in the financial returns from the redevelopment)
- **Purchase options**: buyer holds the right to purchase the property, but does not take title until the site is clean

Financing Instruments for Brownfield Redevelopment

- **Collateral loan**
- **Project finance**
- **Municipal infrastructure finance**
- **PPP (Private Public Partnerships):**
to promote and co-ordinate the equity participation of government, NGO's, for-profit developers, banks and investors
- **Investment (supply of equity capital)**
- **Public funds**



Elements of Project Finance Plans

Construction Item	year 1999			year 2000			year 2001			year 2002		
	1	2	3	4	5	6	7	8	9	10	11	12
Tower												
Excavation (Up method)												
Structural Steel (NSC)												
Superstructure Concreting												
Substructure Concreting												
Exterior Finishing (Outer walls)												
Interior Finishing												
Podium												
Excavation (Top-down)												
Structural Steel (NSC)												
Superstructure Concreting												
Substructure Concreting												
Exterior Finishing (Outer walls)												
Interior Finishing (exclude construction phase 2)												
Landscaping												
Elevator and Escalator Installation												

- **Project description** -property location, ownership, developer
- Copies of **completed similar projects - evidence**
- Planning and **predevelopment** work -existing improvements
- **Finance plans**
- **Documents** proving **site** control (soil or groundwater **contamination**)
- **Architects plans**, description of the firm
- **Letters of interest from other funders**
- **Market study** showing **demand** for the service offered on the brownfield site



Macro- and Micro-Economic Benefits



Financial institutions and their **responsible intermediary** function

- **Efficient use of land and existing infrastructure** (community)
- **Additional jobs** and new tax revenues for cities and towns
- **Quality of life** and the **environment** (risk reduction of human health)
- Approach of **flood alleviation** and **prevention of mud slides**
- Revitalisation of deteriorated **neighbourhoods**
- **Solving problems** like **liability** for past contamination, **inadequate financing**, **weaker market conditions**
- **Potential for exceptional returns on investment** for developers and lenders

An Austrian Example: Gasometer



"The time has come,
The time of surveillance is past.
The time of waiting for paradise is past.
The time of fruitless talking is past.
The time of action has come."



Hundertwasser - Austrian Painter and Architect (1928 - 2000)

Thank you for your attention!

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