

# PROFIT WITHOUT PRODUCTION: TOWARDS THE FINANCIALISATION OF THE CITY

*The financialisation of the city is a matter of concern for many players today. These include INTA - the International Urban Development Association - a global network of urban decision-makers and practitioners, from both the public and private sectors. Lola Davidson is the Association's Deputy Secretary General. She summarises here the mechanisms at work and the spatial and socio-economic impacts. A special session was devoted to the subject at the Africities summit November 2018 in Marrakech*

**A**s it affects urban areas, financialisation is a form of accumulation characterised by the capture of urban value by many forms of financial intermediation that turn the city into a financial asset. The question of the increased effects of investments on the social and economic organisation of cities is currently being raised. Among the segregating effects it produces are city centres that have become inaccessible to a large part of the population and new cities that remain empty for decades in spite of a housing crisis.

Investment selectivity also affects urban form. The impacts relate firstly to the selection of the type of property (giving priority to commerce, offices or logistics) and secondly to the forms it takes (certification, useful surface area ratio, etc.), to its users (key accounts and long-term leases) and finally to location: this financing mechanism fuels metropolisation.

## **Towards a coalition between the public and private sectors**

The different modes of production of the city point to the existence of a new generation of urban stakeholders, namely property developers who are aligned with banking interests. These networks of private stakeholders (consultants, analysts and developers, investors and banks, architects and urban planners, notaries...) are forming coalitions with local and national public stakeholders and are at the centre of new forms of negotiation for the purpose of locally «embedding» financial capital.

Asset managers create investment agreements, which are a set of shared representations of urban spaces: where to invest, and in what type of assets, etc. The more traditional players are in alignment, the developers construct buildings that meet the managers' criteria. Planners are adapting their schedules to ensure the balance sheet is in good equilibrium through the sale of ground rents.

Finally, there are four major ways in which the production of urban spaces has been

restructured that are linked to the financialisation of the urban built environment.

1 - The actors produce, manage and market. Some sectors are becoming assembly lines for assets that move from the public to the private sectors.

2 - New power relationships are being established with coalitions that are striving to support this financialized infrastructure. Local authorities see it as an opportunity to attract capital, make themselves attractive and sell urban land in order to finance urban redevelopment. This policy of attracting capital is particularly prevalent in the countries of the North, which are suffering from public austerity.

3 - Investments are concentrated in metropolitan areas. Spatial redistribution drives metropolisation and accentuates intra-urban specialisation.

4 - The redistribution of wealth is changing. This is brought about through the monetisation of usage fees, from those who can pay for services and usage to savers and global investors as well as intermediaries who belong to the financialized sector.

## **The drivers of local action**

These effects underscore the importance of awareness, training and the acquisition of tools (land-, finance-, and technology-related for example). Engineering know-how, particularly that of local authorities, is also needed to strengthen negotiating capabilities within the new coalitions of stakeholders.

This requires knowledge of the stakeholders in the sector, the discovery of new intermediaries, in some cases unconventional ones, in order to consider diversifying the modes of financing and action subject to performance criteria that are unrelated to profit maximisation.

In Africa, the new sources of finance, such as philanthropy, diaspora, sovereign wealth funds, carbon finance, Chinese investments in kind, etc., are not available to local authorities.

Universal adoption of the challenges, concepts and financing schemes calls for a fresh examination of the relationship between the public and private sectors in the production and management of cities, that takes into account the general interest and social issues.



*Analysis workshop on the establishment of the African Cities Development Fund. Organised by INTA and Kalutere Polis on behalf of UCLG-Africa. Photo credit UCLG-Africa*

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