

FRANCE

CITY OF MARSEILLE - PARTNERSHIP CONTRACT FOR LAND RESERVE DEVELOPMENT, IN ORDER TO FINANCE A STADIUM CONSTRUCTION PROJECT

LONG TERM
EXTERNAL
RESOURCES

City of Marseille

Real Estate Support Program

- Investors : CDC/BPCE/OFI
- Lenders : NATIXIS
- Industrial Partner : Bouygues Group

DESCRIPTION & STAKEHOLDERS

- In 2009, the city of Marseille launched a public tender for a partnership contract, in order to restore the Vélodrome and Delort Stadiums, and to increase their capacity (from 60,000 to 67,000 seats). In this tender, the city proposed to enhance the value of a 100,000 square meters (net floor) area located around the two stadiums
- Objective: a new program entitled “Real Estate Support Program” (Programme Immobilier d’Accompagnement) makes public lands with significant financial value available, under a 99 year long-term lease scheme, in order to finance the rehabilitation of the Velodrome Stadium and the Delort rugby Stadium. The partnership contract includes funding, design, execution and maintenance. The group winning the bid operates the stadium excepting on game days, and is responsible for the stadium’s brand naming strategy.

INSTITUTIONAL AND REGULATORY FRAMEWORK

- Intense decentralization governed by the 1982 and 2003 laws
- Ordinance of 2004 on PPP, followed by the 2008 law
- Implementation of a mission to support PPP (MAPPP), which validated the stadium project, especially the public land enhancement scheme, under a 99 year long-term lease.

USES

- Enhancement of public lands (through the Real Estate Support Program) in exchange for 15 million Euros in the business plan (6% of the total investment cost), paid in advance by SPV

RESOURCES

- Total cost of the project : 267 million €
- Financing the rehabilitation of Velodrome and Delort stadiums
- Public subsidies
- Business revenues (naming and events)

MANAGEMENT

- SPV takes a financial risk: it is responsible for enhancing the value of the public land parcel in the stadium financing scheme, and commits on a fixed land price. SPV signs a lease contract for construction with the public authority.
- In the second phase, SPV commercializes land parcels and transfers the lease contract for construction to the final buyer, that then directly signs a contract with the public authority

ADVANTAGES

- Allows solvency funding relief : valorization is directly integrated to the financing plan and its decreases the rent paid by the public authority
- Lowers the financing cost in due proportion : less reliance on debt and equity
- Development of 100 000 square meters of net floor area for offices/ housing/ shops
- Creation of a new neighborhood around the stadium

DISADVANTAGES, ISSUES RAISED

- Transfer to a private entity ; cost price difficult to estimate ex ante
- Issues linked to the risks related to soil conditions that need to be addressed when signing the partnership contract
- Complex legal architecture needed to create promises to purchase, signed by the group winning the bid, and transmissible to final buyers.