Infrastructure Financing for Real Estate Development

"Mobilising Capital to Deliver Roads, Utilities and Community Infrastructure"

A Public-Private Partnership and Development Finance Perspective

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Presentation Overview

- What infrastructure means in real estate development
- Why infrastructure matters
- What infrastructure financing means
- The core financing challenge
- How infrastructure should be funded
- Main financing models
- The role of PPPs in infrastructure financing
- Bankability of Infrastructure Projects
- DBJ’s role in infrastructure financing
- DBJ financing facilities and support
- Master-planned developments and infrastructure financing

What Infrastructure Means in Real Estate Development?

In real estate development, infrastructure includes:

- Roads and access ways
- Drainage and stormwater systems
- Water supply
- Sewage and wastewater systems
- Electricity and street lighting
- Parks and open spaces
- Community centres and social infrastructure

Why Infrastructure Matters

Infrastructure affects the success and viability of real estate development.

It influences:

- Development approvals
- Construction timelines
- Project feasibility
- Sales prices and ultimate take-up
- Lender and investor confidence
- Buyer quality of life
- Climate resilience and disaster risk
- Long-term maintenance obligations

Poorly planned infrastructure increases cost, delays projects and reduces value. Well-planned infrastructure unlocks development.

What Does Infrastructure Financing Mean?

Infrastructure financing is more than funding infrastructure works. It is about:

01

Mobilising capital to deliver roads, drainage, water, sewerage, electricity and community infrastructure;

02

Determining who pays, who benefits and how costs are recovered over time;

03

Structuring projects so that infrastructure is affordable, bankable and sustainable; and Allocating risks and responsibilities among Government, developers, utilities and other stakeholders.

The Core Financing Challenge

- Infrastructure usually has to be delivered before the full benefits of development are realised.
- Whether the funder is Government or the private developer, the challenge is how to finance infrastructure upfront, recover costs over time, and manage long-term obligations.

Government	Private Developer
Limited fiscal space and competing public priorities	High upfront infrastructure costs before sales proceeds are fully realised, especially for roads, drainage, water and sewage systems.
Some infrastructure does not generate direct revenue	Coordination and approval risks, including utility connections, planning approvals, regulatory requirements and off-site infrastructure dependencies.
Long term maintenance obligations	

How Should Infrastructure be Funded?

- There is no one-size-fits-all model. The right financing structure depends on:
  - Who benefits?
  - How are costs recovered?
  - Can risks be allocated appropriately?

If the benefit is mainly:	The likely funding approach
Private/project specific	Developer funded
Shared across developments	Developer funded
Public / wider community benefit	Government funded/ developer funded

Main Financing Models

The financing model depends on the type of infrastructure, who benefits, and how costs can be recovered.

Responsible party	Responsibility	Who may fund it?	How it may be financed
Government / public authority	Public infrastructure such as main roads, public drainage, public facilities and wider enabling infrastructure	Government, taxpayers, grants, IFIs, sometimes developer contributions	Budget allocation, sovereign borrowing, multilateral loans, private financing under PPP
Developer	Internal roads, drains, subdivision infrastructure and site-specific works needed to make the development viable	Developer, purchasers, project revenues	Developer equity, commercial debt, pre-sales, sale proceeds
Utility provider	Water, sewerage, electricity and related utility connections or network upgrades	Developer, Government, utility customers, utility provider, or shared funding	Utility capital programme, connection charges, developer contributions, loans, tariffs
Hybrid / shared arrangement	Infrastructure serving both the development and the wider public/community	Combination of Government, developer, utility, users, purchasers or beneficiaries	Cost-sharing, PPPs, blended finance, development contributions, grants, loans and private capital

DBJ’s Role in Infrastructure Financing

DBJ's mandate is to foster sustainable economic growth and development in Jamaica, and one way it does this is by supporting investment in productive sectors and strategic infrastructure.

MOBILISING PRIVATE CAPITAL

DBJ helps crowd in private investment for infrastructure and development priorities where projects are viable, bankable and aligned with national objectives.

SUPPORTING GOVERNMENT PRIORITIES

DBJ works with Ministries, Departments and Agencies to structure infrastructure-related transactions that support housing, utilities, community facilities and economic development.

IMPROVING ACCESS TO FINANCING

Through approved financial institutions and other mechanisms, DBJ supports access to medium- and long-term financing for eligible infrastructure-related investments.

STRUCTURING PPPs & PRIVATISATION

DBJ facilitates PPPs, privatisation and other private sector participation models where infrastructure delivery requires clear risk allocation, cost recovery and long-term value

DBJ Financing Facilities & Support

DBJ has several financing and support mechanisms that may assist infrastructure-related development, depending on project eligibility and structure.

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- Loan financing through approved financial institutions
- Concessionary financing, where eligible
- Credit enhancement or collateral support
- Transaction management for PPPs and privatisations

Through a blended finance approach, DBJ participated in financing the consortium for the Rio Cobre Water Treatment Plant PPP, demonstrating how development finance can mobilise private capital for critical infrastructure.

Infrastructure PPPs in Jamaica

PPPs are one option for delivering public infrastructure where there is a clear public need and an opportunity to mobilise private sector capital, expertise and efficiency. They may be appropriate where:

- Infrastructure is needed to unlock housing, mixed-use development or wider community benefit;
- Government does not wish to carry the full financing or delivery burden alone;
- There is a clear repayment or cost recovery mechanism;
- Risks can be allocated to the party best able to manage them; and
- Performance standards, accountability and long-term maintenance can be clearly defined.

The role of PPPs in Infrastructure Financing

Jamaica has used PPPs to support major infrastructure delivery across transport, water and airport sectors.

Phase 1C Highway 2000 – extension of highway from May Pen to Williamsfield; 12-year arrangement covering toll road operation and maintenance.

Rio Cobre Water Treatment Plant-15 MGD facility for the Kingston Metropolitan Area; DBFOM structure under a 25-year concession with Rio Cobre Ltd and the NWC.

SIA and NMIA- Sangster International Airport operated by MBJ Airports Limited; Norman Manley International Airport operated and maintained by PAC Kingston Airport Limited under concession arrangements.

The relevance of these examples is that PPPs can shift the upfront financing obligation from Government to the private partner. Government retains ownership and regulatory oversight but the private party is required to mobilize capital upfront and recover its investment over time based on the concession agreements.

Bankability of Infrastructure Projects

Infrastructure projects are more likely to attract financing when the **scope, costs, approvals, risks and repayment arrangements are clear from the outset.**

- Bankability depends on:
  - **Clearly defined infrastructure scope**
    What is being delivered, when, and to what standard.
  - **Robust cost estimates and cost certainty**
    Early estimates must be realistic enough to support financing decisions, affordability assessments and investor confidence.
  - **Approvals and utility requirements**
    Planning, environmental, land, water, sewerage, drainage and electricity requirements should be identified early.
  - **Credible cost recovery or repayment mechanism**
    Costs must be recoverable through sales, user charges, Government support, development contributions, PPP payments or blended financing.
  - **Clear risk allocation**
    Risks should be allocated to the party best able to manage them, including design, construction, approvals, financing, demand, utility connection and maintenance risks.

Master-Planned Developments & Infrastructure Financing

The updated Privatisation Policy recognises master-planned development as a modality for the strategic development of Government-owned lands. In this context, P4's role is to:

- Structure and facilitate the divestment of lands in accordance with the approved master plan
- Mobilise private sector participation and investment
- Support the identification of appropriate financing and delivery models
- Explore PPP or other structured arrangements where appropriate for supporting infrastructure and social services.

Eg. the Greater Bernard Lodge Development demonstrates how land divestment, master planning and private investment can be coordinated to support long-term urban development.

THANK YOU