

New Finance for America's Cities

Tessa Hebb+ and Rajiv Sharma*

+Director, Carleton Centre for Community Innovation

Carleton University, Ottawa, Canada

***School of Geography and the Environment, University of Oxford**

August 31st 2011

Abstract:

In the aftermath of the Financial Crisis of 2008 and 2009 it is becoming increasingly clear that our retirement savings are inextricably linked to the health and growth of our economies and by extension, that future growth requires strong, vibrant, sustainable communities in which we live and work. If we have learned anything from the market meltdown of 2008/2009, it is that absent sustainable growth in our economy, no amount of financial engineering will secure our retirement savings for the future. Increasingly pension funds and other institutional investors are embracing long-term strategies that include investment in the growth and sustainability of our cities. Such investment results in both positive financial returns and a range of ancillary benefits for our communities. In a virtuous circle savings are invested in a manner that propels the economy forward, allowing us to reap the reward of retirement security in the future.

This article argues that a revolution is occurring in the financing of America's cities—moving away from government direct investment in infrastructure, housing and economic development, and the pendulum is swinging towards long-term private sector investment by some of America's largest institutional investors. We suggest that while retirement savings can be a key ingredient in the necessary investment that will ensure our future growth and prosperity, the impact on our cities is to replace the provision of public goods with the motivation of private profits.

Key words: urban investment, pension fund targeted investment, infrastructure investment, impact investing, urban revitalization, underserved capital markets

This paper has been submitted to the journal *Regional Studies* and is under peer-review.