

fundamental questions are: 'Where does the money come from?' and 'Who pays for what?' Then the question is: 'What is the cost of the money?' Interest rates affect many design decisions.

The viability of any proposal depends on the availability of capital funds. There are two sources of financing – public sector through tax revenues and the private sector through the money available to be loaned at interest. In socialist countries the funds have come primarily from the government. In capitalist the funding of projects has sometimes come from taxation income and sometimes from borrowed money but usually a mixture of the two. Each group involved in developing a project negotiates based on its perceptions of the equity necessary to be raised and the financial guarantees it obtains. In totalitarian societies the centralization of power makes funding easier.

It has generally been easier for governments to raise money because their credit is based on their ability to raise revenues from future taxes. Many cities, however, have precarious economies. Private developers have to raise funds on a project-by-project basis and seek loans with the lowest interest rates, the least amount of equity required and, ideally from their viewpoint, with government subsidies. Such subsidies take many forms: paying for the infrastructure development, mortgage guarantees, the leasing of parts of a project, or structuring a pooled commercial paper programme. Conversely, the private sector can subsidize government investments by building parts of the infrastructure.

The sums needed for major urban design schemes are considerable and much investment has to be made before any financial return is seen. These upfront expenses are for the purchasing of land, planning the development, developing the infrastructure, mapping out sites for development, writing building design guidelines, negotiating the sale of land, and reviewing individual development proposals. The phasing of developments is thus crucial because premature development of infrastructure can be costly. On the other hand, if it is delayed a developer incurs real costs and the community foregoes potential tax revenues. Large projects have come to a halt during periods of fiscal difficulty. Only changes in economic conditions and/or new injections of public funding or a change in the programme or the design controls have started construction moving again. The case studies here are replete with examples.

Public investment in infrastructure has served as a catalyst for many important developments. The failure of such expected investments to eventuate has led to financial crises in many projects (e.g. Canary Wharf; see Chapter 8). There are also many schemes where the infrastructure has been built and yet the private sector sees no gain in building the other components of a project (e.g. Penn's Landing, Philadelphia has stood undeveloped with its infrastructure in place for over 20 years now). Today, public sources of financing have dried up in many capitalist countries and the private sector is being required to subsidize the development of the public realm in return for being allowed to build what it wants to build. The incentives for the private sector to take this role are substantially higher in growing economies than in those that are stagnant or declining.