

THE JOHNS HOPKINS UNIVERSITY
Institute for Policy Studies

PUBLIC PRIVATE COOPERATION IN URBAN REDEVELOPMENT

A Case Study of Baltimore

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Baltimore, The U.S.A., May, 1995

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Baltimore, May, 1995

Zuzana Mizerova

CHAPTER ONE

INTRODUCTION

1.1 PREFACE

At the outset, the purpose of this research was to examine U.S.A. experience in public-private partnerships in urban development with a special focus on the Baltimore redevelopment of its downtown area and the revitalization of its redundant port zone. During the progress of the research it became clear that beside all other aspects the key stones for successful revitalization are flexible management and innovative financial arrangement with a long term perspective based on the mutual trust of all partners involved. Apart from that the growing importance of the non-governmental sector in the process of urban revitalization management and utilization became obvious. Non-profit organizations have developed as a third partner for cooperation working as the intermediary or in other words to help things to be 'delivered'.

Therefore, this paper identifies the main actors involved and their interest in redevelopment as well as compulsory preconditions necessary for successful revitalization. The focus is on different tools and methods which are used by government in the U.S.A., and their impact on the conceivable redevelopment process. The aim is to describe the role of the non-profit sector and particularly quasi-government organizations and their potential function in the future urban problem management and solution. Then the lesson will be drawn from Baltimore city to help and strengthen the local government in Bratislava to deal with other partners in the case of urban redevelopment. Expectantly, this will be helpful for other partners too.

During the research a number of discussions and interviews were conducted with professionals from public, private as well as from the non-profit sector who are or have been directly involved in the process of revitalization of Baltimore. Besides that, the information upon which the research is based is the relevant literature, articles, statistical data and other prevailing documents related to the research topic.

1.2 THE RELEVANCE OF THE RESEARCH

Today the importance of Slovakia as well as the significance of its capital Bratislava is considerable. Until 1989, except during the three hundred year long interval when it was the capital city of the Austria-Hungary Monarchy, Bratislava was always under the shadow of other cities, whether it was Vienna until the end of nineteenth century, or Prague during the Czechoslovakia state period.

Since 1989, Bratislava has become the capital of the independent republic of Slovakia. Moreover, it put a lot of pressure, social and economic, on the city government to fulfil all new tasks drawn from its new position. The new status of the city has brought advantages as well as problems for Bratislava. From one side, Bratislava's favourable position has been recognised in the middle of Europe, as the door to the East, with conceivable distance from Prague, Vienna and Budapest. From other side, Bratislava has to face a competitive position with these cities which have been developing as leading and capital cities for a much longer period of time.

As mentioned above, today the social and economic pressures on the city government are intensive. First, there are the citizens and business firms which are pressing the government to satisfy their demands for commercial, cultural, and service facilities, to enable the private sector to enter the city. Second, there is financial and legal pressure on the local government from the state authority. This pressure derives from the process of decentralization which has recently taken place in Slovakia and engendered new responsibilities for local government. Apart from that, the local municipality has to guarantee the achievement of functions connected to the role of the city as a capital; as the place of operation for state administration as well as for the foreign embassies and related services.

This pressure occurs when financial resources are limited as a result of the minimization of state subsidies within the framework of decentralization, overall economic situation and not yet efficiently working tax collection and its redistribution. So, the city government has to look for alternative possibilities to mobilize more resources to satisfy all these requirements. The city authority has to look for cooperation whether with the private or public sector to utilize urban programs and to promote economic development.

1.3 LIMITATIONS OF THE STUDY

There are several facts which limit the study and constrain derivation of a generally applicable model. These limitations have their origin in historical and cultural differences of the U.S.A. and Slovakia as well as from different development of the state legacy and economy. The main constraint to this research have been in the following areas:

- different legal framework;
- availability of public money in the form of grants and subsidies from different governmental levels; federal, state and local in U.S.A;
- development of a strong private sector in U.S.A;
- willingness to cooperate with different partners as well as the understanding of the necessity of looking for new ways of governing; it is much stronger in U.S.A. then in Slovakia coming from a long experience with negative and positive external effects of the market economy.

However, to study the U.S.A. experience and especially the Baltimore case is valuable lesson because in Baltimore, success was in overcoming economic decline and physical deterioration of the city by developing the feasible cooperation between local officials and private sector especially with local businesses which helped to promote long-run economic development and assure prosperity and municipal revenue. The economic situation that Baltimore was facing in the beginning of the 1950s, could potentially be a threat to Bratislava's conditions today, when transition is in place and cities' have to fight for their position in the national economy. Therefore, it is possible to benefit from many principles which are significant in order to avoid such a situation in Bratislava, to mobilize the public as well as the private sector to take an action, and to learn from Baltimore's experience which could be brought and applied in Bratislava and in the Slovak Republic.

1.4 STRUCTURE OF THE REPORT

After this introductory **Chapter One**, the report is organized as follows:

Chapter Two presents a short overview of the political and economic transformation in Slovakia. Then, the city of Bratislava and its development will be introduced. Following this, the recent changes related to decentralization will be explained. Based on this situation, the chapter will formulate objectives of the research and research questions. Finally, the city of Baltimore will be introduced as a case study.

Chapter Three conceptualizes the roles of public, private and nonprofit actors, and their interests in the process of redevelopment. Then, the public tools and incentives for public-private cooperation in the urban areas are discussed.

Chapter Four focuses on the Baltimore case study. Will be described the Charles Center Plan and Inner Harbor Revitalization Program in detail. The critical steps, financing, and management of the projects with public-private partnership arrangement will be outlined here.

Chapter Five, as the final chapter, draws lessons from facts observed during the progress of the research. Finally, the report suggests recommendations in the context of the political and economic situation of Bratislava and of Slovak Republic to strengthen local government performance and to make easier communication between government, private sector, and potentially with non-profit sector.

CHAPTER TWO

FROM BRATISLAVA TO BALTIMORE

The main aim of this chapter is to correlate the impact which the city of Bratislava can gain from Baltimore's experience. It will be useful to explain the present situation and managerial problems of Bratislava to clarify the origin of this research. Therefore, the starting point is a description of Slovakia continuing in the introduction of Bratislava, its development and recently introduced system of administration. Then, attention will be given to the main problems and research topics. Finally, the city of Baltimore will be introduced and the principal similarities with the city of Bratislava will be pointed out.

2.1 OVERVIEW

Since 1989, Slovakia¹ has been experiencing a turbulent time. The collapse of the centrally planned economy and in the same time the rapid political changes have had a strong impact on all aspects of the economical and social life of the country. Besides all the changes there were two dramatic developments which have affected cities and their local economies.

First, one of the main developments, has been decentralization which principally divided responsibilities between the different governmental levels - central and local. In fact, the system has changed from a centralised one, characterised by a strong concentration of power adhering to the principle of 'the unity of the state administration and property', to a system which follows decentralization principles; devolution of power to sub-national representative bodies - local municipalities - with independent political accountability.

Second, development of the market economy (see Table 2.1), which has resulted into the private sector. The impact of the private sector on the development of SR's economy is estimated at 38% of the share of the GDP, with a relatively marked differentiation according to the various sectors of the economy. In July 1993, private firms shared in the production in industry at 20.3%, in construction with 50.4%. Private enterprises represented 86.1% of all businesses in the sector of commerce and tourism, and 53.2% in the freight business. However, this transformation of the economy is seriously affecting the productivity and the development of the cities in Slovakia. Consequently, cities in the country are faced with the task of looking for new possibilities for their position in the economy as well as the role of their governments under market conditions.

¹ Slovakia is a country with total population of 5,312,000, surface area is 49,030 km², average density reaching 108 inhabitants per km² where urban population is 56.9%.

Table 2.1: The Macroeconomic Figures of the Slovakia 1989-1992

	1989		1990		1991		1992	
	Total	% ¹	Total	% ¹	Total	% ¹	Total	% ¹
GDP in Constant Prices (Bill.CSK ²)	220.9	-	215.4	-2.5	181.4	-15.8	170.5	-6.0
GDP Per Capita in Constant Prices (CSK)	41.9	-	40.7	-2.9	34.4	-15.5	32.2	-6.4
GDP in US \$ (Bill.)(1\$=32,35-30.11.93)	6.8	-	6.7	-1.5	5.6	-16.4	5.3	-5.4
Personal Money Incomes (Bill.CSK)	151.0	-	161.5	7.0	186.1	15.2	214.2	15.1
Personal Money Expenditures (Bill.CSK)	144.5	-	163.1	12.9	174.1	6.7	207.2	19.0
Rate of Unemployment in %	-	-	1.6	-	11.8	-	10.4	-
Rate of Inflation in %	1.3	-	10.4	-	61.2	-	10.0	-
Average Wages (CSK)	-	-	-	-	3906	-	4960	27.2
Imports (Bill. CSK)	-	-	61.3	-	106.4	73.6	100.7	-5.4
Exports (Bill. CSK)	-	-	52.0	-	101.7	95.6	102.4	0.7

Source: Slovak Republic in Figures, 1992.

¹ In % compared previous year.

² CSK = Czechoslovak Crones (has been changed in 1993 to Slovak Crones (SK) and Czech Crones (CK)).

Local urban development and strengthening the efficiency of the market economy requires efficient and effective local government intervention to manage the rapidly changing local situation from an economic, spatial and social point of view. The World Bank² emphasizes the importance of the role of local governments, recognising them as the key actors in local economic development and within the context of the overall macro-economic performance.

2.2 HISTORICAL BACKGROUND

The position of Slovakia and of Bratislava in the centre of Europe, has been and remains both important and recognized. Bratislava has a long historical, cultural and geographical continuity of settlement³. Populations of the Celtic culture as well as the Germans and Romans were replaced by the Slavs in the 5th century A.D. In the 13th century, Bratislava was granted town privileges. In 1536, the town was established as a capital and coronation city of the Hungarian monarchy which influenced further development and prosperity of the city. At the end of the 18th century, Bratislava was one of the most prosperous cities of the monarchy.

² World Bank, 1991. "Urban Policy and Economic Development: An Agenda for the 1990s." World Bank Policy Paper. World Bank, Washington, D.C.

³ The territory of Bratislava has been permanently settled from Neolithic age - around 3,000 B.C.

Today, Bratislava is the largest city in Slovakia, with 445,730 inhabitants⁴. At least 150,000 more commuters come daily to the city mainly for work and education. It is a city with an area of 367.6km² and it is the core of the surrounding region of 115,549ha and a population of 643,000. Bratislava's main features, functions and potentials are as following:

Bratislava (see Figure 2.1) is the capital of the Slovak Republic. As the centre of Slovakia, it has been accepted since 1919 by the establishment of Czechoslovakia, and its position as a capital has been confirmed by the federative arrangement of the republic since 1968. Nevertheless, its political importance as the residence of the president and the headquarters for the national and regional governmental bodies as well as its representative function as the home of the diplomatic missions is rapidly increasing since Slovakia became an independent republic in January 1993.

However, Bratislava has a favourable geographic position in the middle of Europe, on the border between Austria and Hungary, on the dividing line between the East and West, with high potential development opportunities for future growth. First, its close geographical connection to the European Spatial Impact Areas (see Figure 2.2) provides possibilities for economic relations and cooperation. Second, it is situated in the Danube region, between Budapest and Vienna.

There arises here a potential for a mega-agglomeration in the triangular relation between Bratislava-Vienna-Gyor⁵. Third, Bratislava is one of the river Danube's ports and has a potential economic role after the opening of the canal Rhein-Main-Danube. All these aspects put Bratislava into a potential competitive position with such cities as Vienna and Budapest while, at the same time, opening up possibilities for cooperation within Europe and the Bratislava-Vienna-Gyor Euregion.

Within the context of the country, Bratislava is an important industrial centre. Production is concentrated in the petro-chemical, chemical and rubber industries, food, electrotechnical and engineering industries. Bratislava's share of the industrial production in Slovakia is 23.3% (in 1992), and its share of investment in the national economy is 16.3% (in 1992). From the portion of the population of Slovakia which is of economically productive age, 59.7%, 76,057 people or 28.6% (in 1992) of the productive population are employed in industry.

⁴ Statistical Year Book of Slovakia, 1993. Slovak Republic Bureau of Statistic, Bratislava.

⁵ The Empirica Regional Monitor in Bonn analyzed 414 regions in Europe which recognized Bratislava and surroundings as potentially the best productive city for investment. On a regional level, there is predicted a 'gold triangle': Bratislava and its surroundings, Gyor-Sopron and Burgenland.

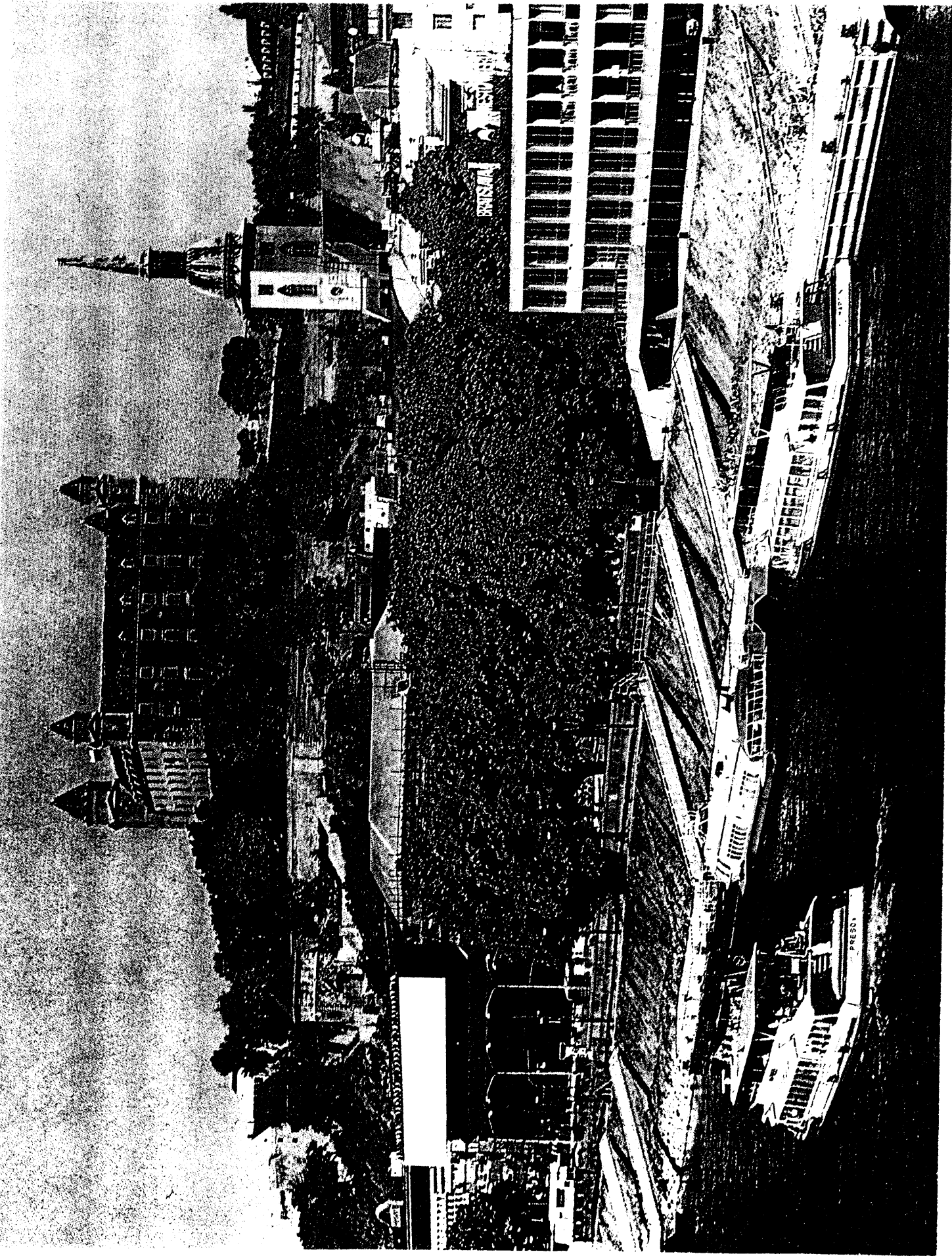


FIGURE 2.1 CITY OF BRATISLAVA

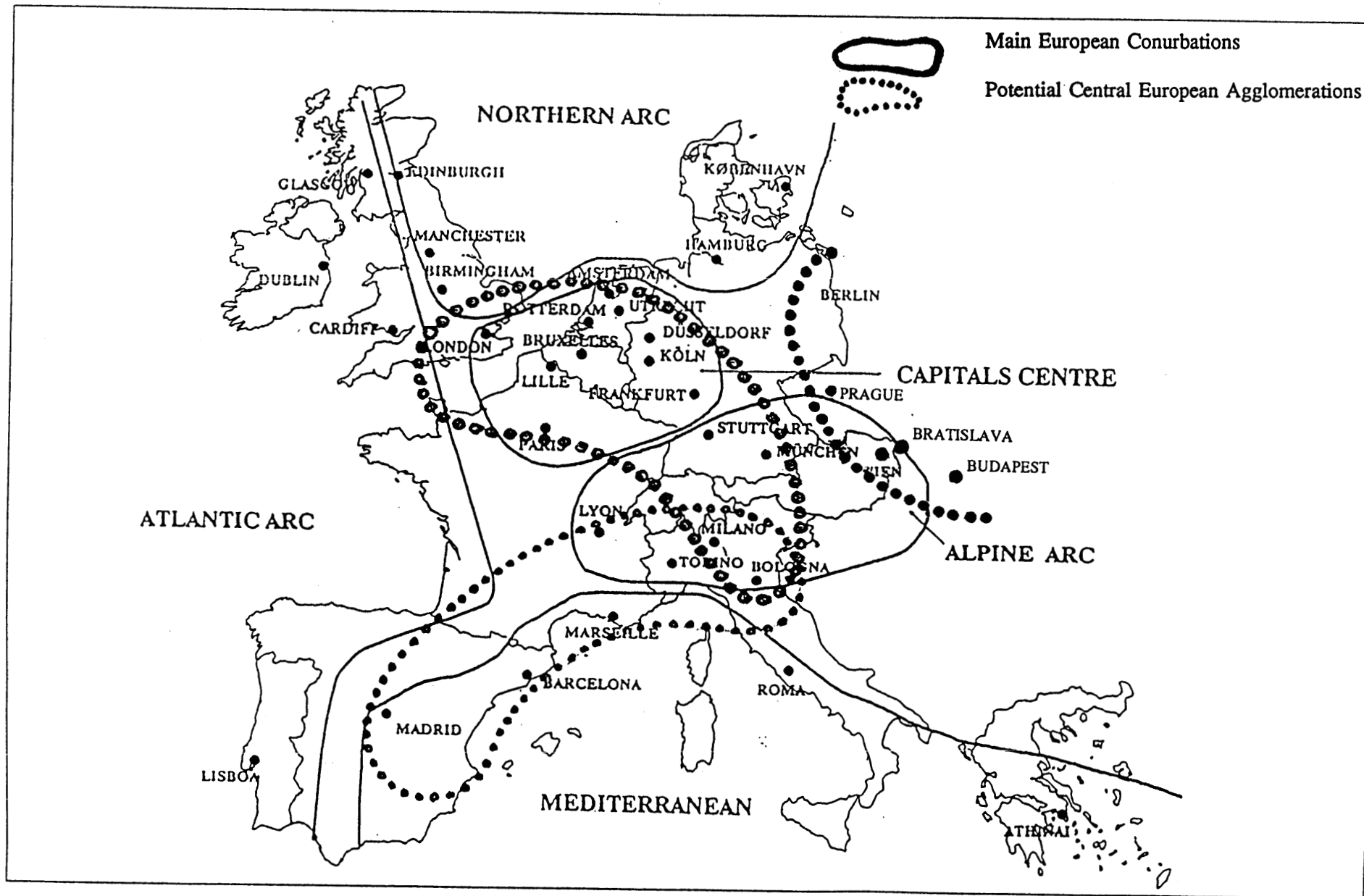


FIGURE 2.2 EUROPEAN SPATIAL IMPACT AREAS

Table 2.2 shows development of employment structure in all the sectors.

Table 2.2: Development of Employment Structure by Sector

Sector ³	1980	%	1990	%	1991	%
Primary	4,744	1.8	5,293	1.8	5,276	2.0
Secondary	93,042	36.8	102,378	34.5	95,716	36.0
Tertiary	163,914	61.4	189,329	63.7	164,811	62.0
Total	266,700	100.0	297,000	100.0	265,803	100.0

Source: Institute of Architecture and Town Planning, City of Bratislava.

³ Sector means a group of production categories; primary sector means agriculture and wood industry; secondary sector means light and heavy industry; tertiary sector means services of all kind.

As it was during the history of the city, when Bratislava was an important crossroad for trade flows, today, the city maintains an important role as the road, railway, waterway and airway node of the republic, as well as a product reload and transit centre. The airport, which is small but of international standards and with good weather conditions, is not used up to its potential capacity. Bratislava's harbour is rather well equipped and there is an increased potential for the harbour after the opening of the canal which connects the North Sea and the Black Sea.

Bratislava's position as a business and financial centre is continuously growing, which was enhanced after the recognition of the independent Slovak Republic in January 1993. The concentration of foreign capital in Bratislava is a high proportion of the entire country (see Table 2.3), albeit its share declined somewhat during the first six months of 1993. The main areas in which foreign capital is involved is in trade, consumer goods, and in financial, real estate, research and development services.

Table 2.3: Foreign Capital Established in Slovakia and Bratislava

	S L O V A K I A		B R A T I S L A V A			
	Per 31.12.1992	Per 30.6.1993	Per 31.12.1992		Per 30.6.1993	
Number of Organizations with Participation of Foreign Capital	2825.0	3948.0	1627.0	57.6% ¹	2155.0	54.6%
Foreign Capital in Million SK	6607.1	9244.4	4395.1	66.5%	5174.2	56.0%

Source: Statistical Figures and Graphs, 1993.

¹ % of SR (Slovak Republic).

Not to be neglected is also Bratislava's role as the cultural, educational and scientific centre of Slovakia. Of the total number of undergraduates, more than 50% study in the city. 40% of the employees in the city are concentrated in the research and development branch.

Last but not least, Bratislava is a residential city. Especially after the Second World War, during the socialist period, there were many large residential areas built. Bratislava's territory has grown over time and has absorbed the surrounding villages. Its spatial development has followed the increasing population over time (see Table 2.4 and Figure 2.3).

Table 2.4: Increasing Number of Population and Number of Dwellings over this Century

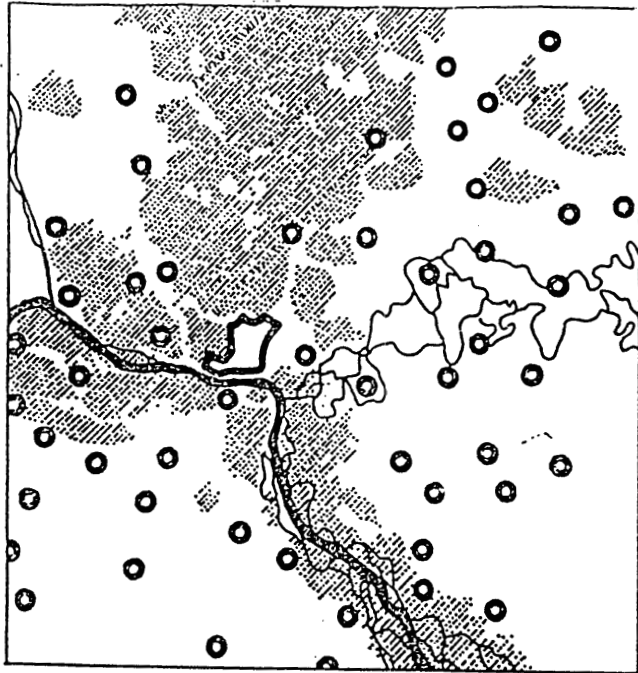
	1900	1930	1950	1961	1970	1980	1991
Inhabit.	88,891	170,305	209,397	260,962	305,932	381,186	444,062
Rate of Inhabit. Growth	-	91.6%	23.0%	24.6%	17.2%	24.6%	16.5%
Dwellings	Not Available	Not Available	47,227	64,910	92,937	131,155	167,411
Rate of Dwellings Growth	-	-	-	37.5%	43.2%	41.1%	27.6%

Source: Institute of Architecture and Town Planning, City of Bratislava.

2.3 DECENTRALIZATION AND ITS IMPACTS ON LOCAL GOVERNMENT

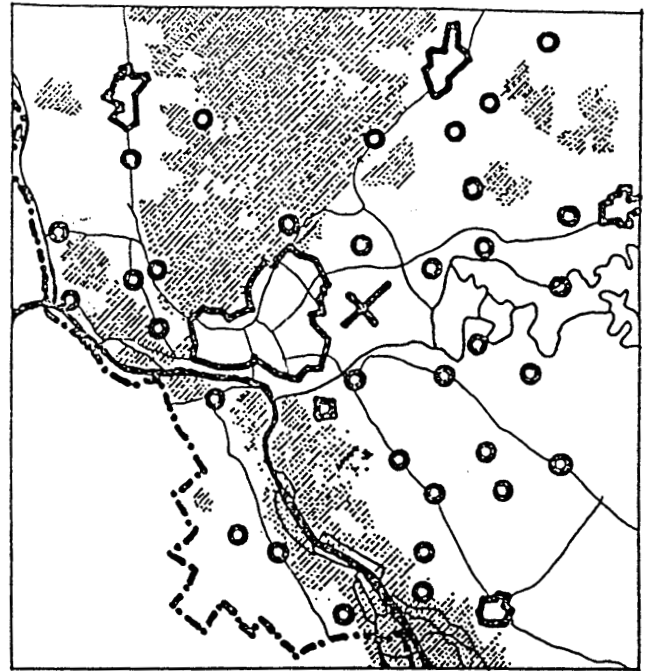
As it was mentioned in chapter two section one, the political process governing decentralization, which has recently taken place in Slovakia, affects the capacity and effectiveness of the urban governments, their position and roles in the governmental structure as well as in the national economy. Decentralization has touched the division of responsibilities between local and central government at the urban level, the capability of the local government to facilitate urban development, and the availability of public financial resources in financing the large urban programs such as revitalization of redundant port areas.

The legal and functional distinction between national and local government in Slovakia is similar to the anglo-saxon model. By the Municipal Act of 1990, local authorities are recognized as separate entities with independent political accountability from the central government; they have their autonomous elected representatives, their own property, devolved authority and functions. The right to manage their local affairs and urban development independently have been also recognized. The Municipal act of 1990 has given the title to the municipalities to have a separate budget and make independent decisions about it. The municipalities have the authority to generate revenues generally from taxes, from state subsidies and from their own sources like their property, financial operation, etc. Since 1989, subsidies are reduced gradually each year with the goal of reaching a level of full self-sufficiency. On the basis of the Tax Law of 1992, the local municipalities have the privilege to collect the property tax and to receive 70% of the personal income tax collected at the national level.



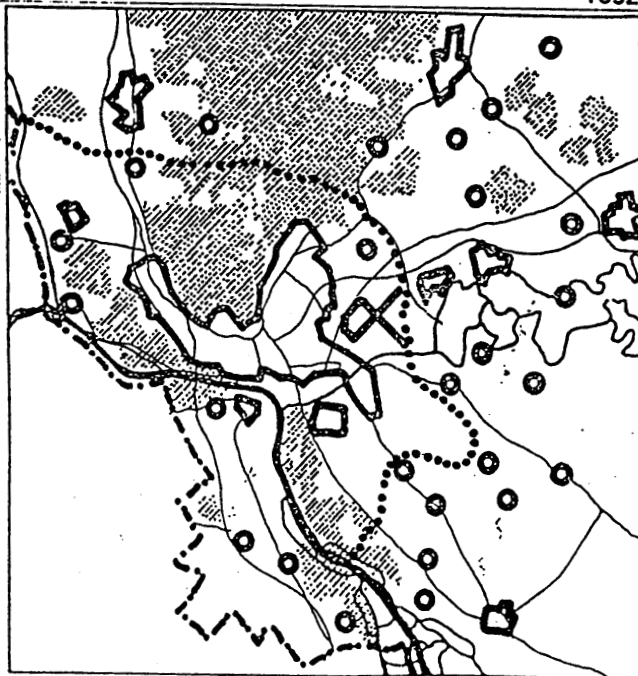
Bratislava

1892



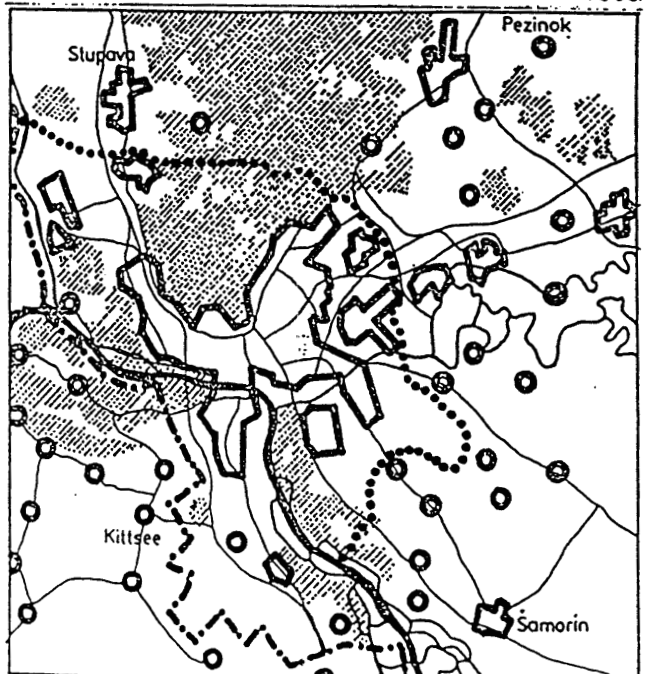
Bratislava

1965



Bratislava

1975



Bratislava

1992

FIGURE 2.3 BRATISLAVA'S TERRITORIAL GROWTH FROM 1892 TO 1992

The situation in Bratislava is different than others cities in Slovakia. Bratislava, the city with the specific tasks and responsibilities derived from its position as the capital, was decentralised the furthest of other cities by the Slovak Republic Capital Act of 1990. By this Act, Bratislava is divided into 17 city districts. Therefore, there are; autonomous local government - representing the city as a whole, and sub-local governments - representing the city districts. Both analog tiers, local and sub-local, have their separate independent representatives - city councils and the mayors have separate budgets and their own properties.

Tax collection is also different from others cities in Slovakia. It is divided between local level and sub-local level. In Bratislava the sub-local municipalities accumulate the property tax and 60% of 70% of shared income tax. The local government at the city level which is responsible for the tasks of the citywide importance (these tasks are still the most finance consuming items in local budget) such as urban public transportation, significant urban development, and housing, does not accumulate the property tax but only 40% of the 70% of shared income tax. Because the actual collection of the tax has been relatively low in 1993 (6%), and state subsidies are reduced each year (from 44% in 1993 to 30% in 1994), the local government decided to generate finances mainly from the sale of the municipal property in 1994 (54%).

Such disconnection and fragmentation of the city is a threat to the future of the city from an economic as well as from an urban system point of view. Investors do not like the uncertainty of the overall future development of the city and, in that respect, lack of information about competing projects. It is also a problem of public financial revenues which have already been restricted in general terms due to the transition of the economic base. Public finance expenditures should be appraised to assess the effectiveness of the many municipal administrative units.

Thus, the overall financial situation in the Bratislava municipality is affected by the recently implemented decentralisation which can be characterised as vertical devolution of decision making power from the state to the city authority and horizontal devolution which is power transferred from the city to its city districts. The area causing problems is the gap between the financial burden and the scope of responsibility for the urban functions at the city level. The scale of financial division is caused by the financial de-capitalization of the available public resources in Bratislava. Taking into account the lack of financial contribution from the city districts, the city is lacking financial resources for functions for which it is responsible like urban public transport and redevelopment. Therefore, looking for other financial sources by applying innovative methods to attract the private sector is needed.

2.4. DEMAND FOR REDEVELOPMENT

During the socialist period, the continuity of the city's urbanisation was rapidly disturbed by the development of industrial functions and consequently by the increasing number of population migrating from the country-side, which brought quick changes in the social structure of the citizens. To supply the required industrial capacity and consequently housing demand, the "Progress and Programs for Social, Economic and Territorial Development" assumed an extensive territorial expansion of Bratislava. The speed and expansion of development have caused the lack of financial and technical capability to build the range of facilities required for the whole city. This has created a deficit in the tertiary sector mainly. Lacking are services and facilities such as hotels, retail, offices, shops, etc. to fulfil the city's role as a regional and national centre.

As a result of the recent changes in Bratislava's position as a capital, additional needs have developed, which were not required in the past, to accommodate the new national government and international representatives. According to this new situation, a higher level of services and infrastructure have been demanded. Consequently, the city government introduced a strategic policy to change development of the city towards the future, to be an administrative, cultural and tourist centre as well as a city of advanced technologies.

It is clear that, in the near future, it will be necessary to:

- bridge the gap between demand for and supply of the tertiary sector functions with special attention given to highly significant amenities;
- create job opportunities in the tertiary sector through the support of the private sector;
- create conditions to engage potential investors and investments;
- enable advanced technologies to be settled in the city;
- revitalize and extend the city centre;
- complete its physical fabric;
- support a well-functioning city centre through the abolishment (removal) of unsuitable functions;
- increase Bratislava's competitive position for the attraction of new enterprises to the city.

Therefore, urban management reform especially connected to urban planning, implementation and operationalization as well as financial management reform are essential here.

2.5 URBAN MANAGEMENT ISSUES

The widespread goal of urban planners and managers in Bratislava is the functional, spatial completion of the city, to minimize the above described deficits and needs, to assure proportional economic growth while achieving the sustainable development⁶ of the city. It is a social and economic necessity to revitalize the city's physical and functional structure, to recreate its spirit. This will influence future economic development and will generate more municipal income and revenues from property and income tax.

However, today problems of urban managers are center around avoiding threats of future decline and recession. To revitalize the city, to fulfil its representative function, to reach the standard of other capital European cities, new investment is required. Since the private sector is developing its potential and strength, government should look for its contribution and cooperation to be able to compete with other cities in Europe.

There are some critical issues and questions related to economic development and the future of Bratislava; how to influence or facilitate economic development in the city when the private sector has different views on the merits and benefits of individual projects than public sector? How does one attract the private sector to take a part in development of the city? Since the crucial questions for private developers and investors address the risk involved and the profit, other major questions are; how does one reduce the risk of private sector investment, and how does one increase or optimize profit of the private sector?

The major issues are; how can government maintain existing wealth and estates and even increase the value of it? How to assure prosperity and avoid depression and decline? But even the local authority will be able to avoid depression; how to prepare conditions for the future, for the revitalization of the city in economical and in the physical terms?

The demand for financial resources is closely connected with efficient management of publicly owned properties, particularly land and buildings. The crucial issues are; what will be the balance between the public and private ownership in the cities? From where will local government generate resources to fulfil its tasks? What are the tasks for the government in that respect? How far government, and especially local government, should control the market? Or, will the option be laissez-faire? So, it is necessary to look for other possibilities, for different ideas and experiences.

⁶ Development which fulfils present demand without destroying possibilities for future generations to satisfy their needs.

2.6 PUBLIC PROPERTY AS A POTENTIAL BASE FOR PUBLIC-PRIVATE COOPERATION

In Slovakia, the overall process of transformation of ownership is related not only to privatisation, the transfer of the holding power and responsibility from public to private entities, but also to the devolution of ownership rights from the state to the settlements (cities and villages). According to the Ordinance - Status of the Capital of 1993, the city has become the owner of a considerable number of public properties which were previously under the ownership of the Slovak republic. So, the city of Bratislava became the owner of a noticeable quantity of immovable properties, land, and buildings.

As mentioned in this chapter, section three, the city management took the strategy to overcome the financial gap between city's revenues and expenditures by selling its properties. This is a critical problem of the short versus long-run solution. A balanced land market has not developed yet so the assessment and valuation of the properties is difficult. Today's information about the market value of the plots is still inadequate and there is also a lack of information which could differentiate between the characteristics of zones with similar market values.

From a management point of view, there is no idea about the present value of the properties and their future financial potential. In other words, from an investment strategy point of view, which one of the properties is better to keep, whether to lease or to sell it, etc. The best plots were sold or will be sold in the near future. And the rest of the plots which are not so attractive will be a burden to the city. Taking into account the problems with appraisal of the property mentioned above as well as the fact that the exceeded supply of the publicly owned land and building on the real estate market is decreasing the market value of the property, this short run solution is very hazardous.

"The increasing scale and importance of public land holdings has in turn obliged central and local governments to concern themselves more and more with the proper management of their property."⁷ So far, from the practical experience of Western European countries, the importance of long-term strategies and policy related to land management has been recognized as a means to influence development in urban areas efficiently. Land acquisition policy has been identified as an important step to increase the ability of government to steer development. The scale of the publicly-owned land differs from country to country, but there is no doubt that the government should hold the land. The questions 'how long should the government keep certain plots under its ownership' and 'how much land is it reasonable and efficient to reserve during one period of the time' are related to the strategic objectives and policy which need to be achieved.

⁷ OECD, 1979. "The Management of Publicly Owned land in Urban Areas." The Organisation for Economic Co-operation and Development (OECD), Paris.

Since land is a scarce asset whose value is generally increasing over time, the appropriate policy and strategy to manage it is essential here.

The problems mentioned above, are important and have consequences for the present and future wealth of the city. The transfer of publicly owned properties between different levels of government and the management related to these properties are important and critical issues during the transformation period of the Slovak economy. These issues affect the present and future ability of the local government to carry out development and revitalisation tasks. Local government is one of the regular actors on the real estate market and in that respect has to have its own strategies about essential goal achievement in the short and long-term perspective. Without that, there is a threat of non-regainable loss of wealth. The critical problems are:

- The lack of appropriate management in relation to land holding and investment strategy due to the fact that the city intends to sell any property to bridge the short-term financial gap in the city budget.
- The lack of recognition of the importance of a clear land policy and financial strategy by the city to manage its assets.
- Since the real estate market is not developed enough, the inappropriate valuation and assessment of the price of the land and buildings is a problem.
- Fragmentation of the city property management between different governmental levels; no single legal body, such as a development agency, which would have the authority to manage the city's wealth, to implement city's policy, and to oversee the long run economic development.
- The role of the government in the market is not clear enough.

Moreover, the overall prevailing banking system, financial and regulatory environment in the country has negative impacts for development policy, strategies and local government performance. These can be summarize as:

- Difficulties to obtain credit for domestic investors, loans are only available as short term credits at a relatively high interest rate (from 18% to 25%).
- Necessity for full credit mortgage covering.
- No developers at the governmental level, no significant private sector involvement in urban development.

2.7 OBJECTIVES OF THE RESEARCH AND RESEARCH QUESTIONS

From the facts described above it is clear that local government has problems starting up urban programs as a consequence of lack of initial capital and long-term management of municipal assets. Because of that, local governments have to look for a range of different methods and approaches particularly based on cooperation with other bodies and sectors such as the private and non-profit sectors to promote and facilitate urban development in less attractive fields and areas. They have to look for techniques of how to attract and motivate other partners to finance or to contribute to the urban programs satisfying public needs.

The objective of this research is to contribute to the development of ideas which will help to move the city from its existing position. It is presumed for the purpose of this research that the main goals of the city are to develop and revitalize city of Bratislava, to increase its economic efficiency and competitive position and to improve its image and international consciousness. The research focuses on the role of the government, private, and non-governmental sector in a market-oriented economy and strategic urban redevelopment for the purpose of increasing the city's productivity in a broader sense.

To help in that respect, this research identifies the major actors, represented by different types of organisations and institutions involved in revitalization in urban areas. The research observes their legal arrangement, tasks and roles, financial sources as well as their interest in and connections to other actors involved. Finally, the research analyzes Baltimore's renaissance process with a focus on financial methods, management, and principles of partnership in order to draw a lesson for application in the Bratislava situation.

To do so, the main goals of this research are to analyze the following topics:

- level of cooperation between different sectors;
- motivation of different actors involved;
- financial arrangements;
- urban planning regulations as the tools of cooperation between the public and private sector.

For the purpose of this research the Charles Center Plan and Inner Harbor Program will be selected from the city of Baltimore. By studying them, the research will attempt to answer the following main research questions:

- What are the critical preconditions for successful cooperation in urban redevelopment?
- What is the institutional, organizational, and financial arrangement of the programs based on public-private partnership?
- What are the recommendations which can be drawn from the Baltimore case which are relevant to Bratislava, Slovakia?

2.8 GENERAL INFORMATION ABOUT BALTIMORE⁸

Baltimore, one of the U.S.A.'s oldest cities settled in 1661, is located on the East Coast of North America continent, at the edge of Chesapeake Bay (see Figure 2.4) served by the Patapsco River⁹. It is one of the major U.S.A. world seaports in the North Atlantic and the largest city in the state of Maryland¹⁰, one of the most populated cities in the country, with an area of 80.8 square miles¹¹ and inhabitation of 726,096 in 1992.

It is a core of a five-county metropolitan area with population of 2,389,587 where the city is independent of counties (see Figure 2.5). Table 2.5 on the following page describes the position of Baltimore within the U.S.A. according to chosen indicators.

The city began to expand rapidly in the early 19th century (see Figure 2.6), first as a result of the opening of the National Road, which encouraged trade with mid-western cities, and later as the terminus of the U.S.A.'s first railroad, the Baltimore & Ohio (Kurian, George T., 1994). In 1904 a disastrous fire destroyed 140 acres of the business district and waterfront area, causing losses of more than \$50 million. But the city revived rapidly, and during World Wars I and II it was a major shipbuilding and repair center (see Figure 2.7).

The economic health of Baltimore was threatened again during the 1950s and 1960s when the city was facing deterioration and recession as was common to many northern frostbelt¹² cities. Like most older industrial cities, Baltimore's employment significantly declined in the traditional manufacturing (especially in the steel industry), and increased in services, which have strongly effected the economic health and job distribution in the city. It is a city with notably declining population as well (see Table 2.6).

⁸ Baltimore derives its name from Irish town 'Beal-Ti-Mor' (which originally means great place). George Calvert, a Yorkshireman, was created Baron of Baltimore (Lord Baltimore) by James I of England in 1625. His son Cecilius, second Lord Baltimore, was made Lord Proprietary of England's first Province, Maryland, in 1632 (Keith, Robert C., 1991).

⁹ First Europeans who sailed up the Potapsco River and explored the land of present Baltimore city were Capt. John Smith and his party in 1608.

¹⁰ Maryland is the 19 biggest state of the U.S.A. (ranking by population) with an area of 9,774.6mi² and population of 4,917,269 (in 1992). The capital is the city of Annapolis with population of 34,070 (in 1992) and area of 6.3mi². The U.S.A. is a country with total area of 3,536,278mi² and population of 255,077,536 (in 1992).

¹¹ 1 square mile (mi²) = 2.6 square kilometre (km²).

¹² Frostbelt are Midwest and Northeast american cities, Sunbelt are South and West american cities.

Table 2.5: Baltimore in Comparison with Selected Cities in the U.S.A.

	Population	Pop. Rate ²	Pop.per mi2	Unemploy.	Crim.Rate ³
	Rank ¹	Rank	Rank	Rank	Rank
BALTIMORE	726,096	- 7.7%	8,986	9.4%	11,371
	14	65	11	11	19
WASHINGTON	585,221	-8.3%	9,531	7.7%	10,768
	19	69	10	20	30
PHILADELPHIA	1,552,572	-8.0%	11,492	8.0%	6,835
	5	68	5	19	71
NEW YORK	7,311,966	3.4%	23,671	8.6%	9,236
	1	45	1	14	48
SAN FRANCISCO	728,921	7.4%	15,609	5.6%	9,384
	13	38	2	53	46
CHICAGO	2,768,483	-7.9%	12,185	8.4%	NA
	3	67	4	16	NA
BOSTON	551,675	-2.0%	11,398	8.4%	10,837
	20	53	6	16	27
LOS ANGELES	3,489,779	17.6%	7,436	9.0%	9,730
	2	28	14	12	40

Source: County and City Data Book, 1994.

¹ Ranking of all cities in relation to population in 1992.² Population growth rate 1980-1992.³ Serious crimes known to police, crime rate per 100,000 population, 1991.

Table 2.6: Development of Employment Structure by Selected Sector

	1950	1960	1970	1980	1990
Manufacturing	27.3%	28.0%	25.6%	18.8%	12.2%
Wholesale and Retail Trade	13.8%	12.6%	9.1%	17.1%	17.4%
Finance, Insurance and Real Estate	4.1%	4.6%	3.5%	6.0%	7.2%
Business Services	0.8%	0.9%	1.7%	3.0%	4.1%
Public Administration	5.4%	6.8%	8.4%	11.7%	9.9%
Total Civilian Labor Force	415,694	362,311	352,700	306,248	316,688
Total Population	949,708	939,024	905,759	786,775	736,014

Source: 1950 - 1990 Census of Population.

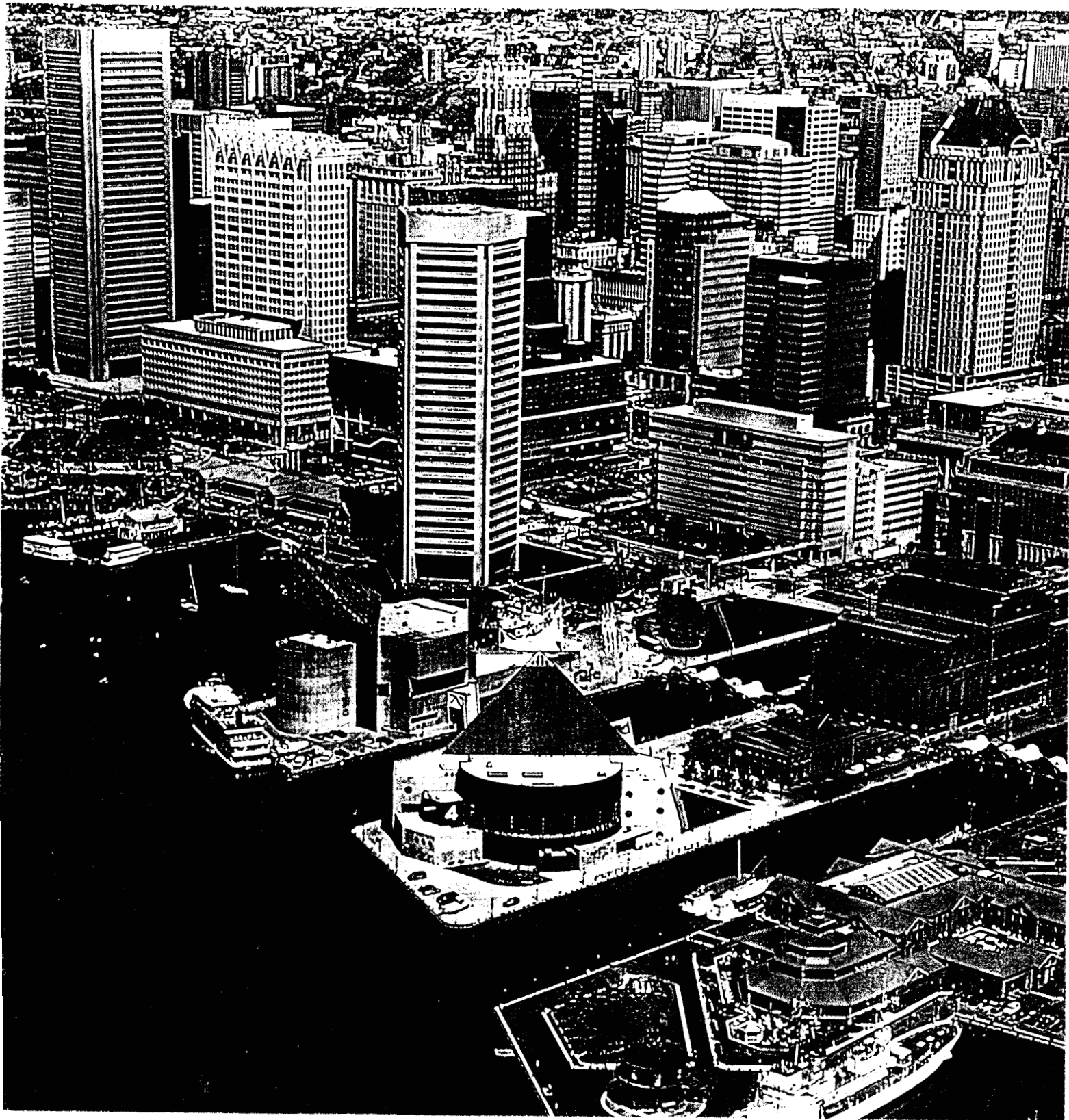


FIGURE 2.4 CITY OF BALTIMORE

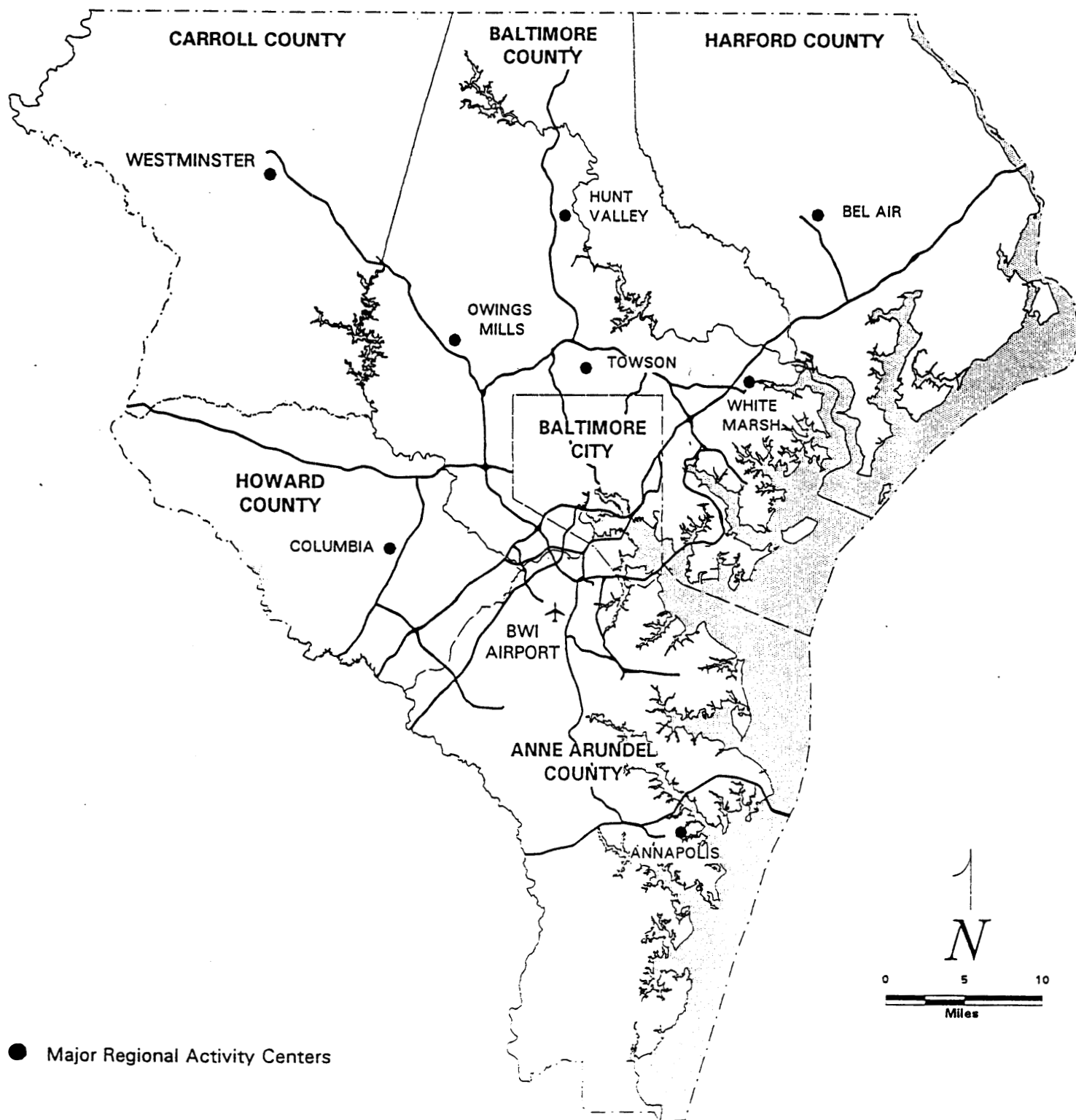


FIGURE 2.5 BALTIMORE METROPOLITAN AREA



FIGURE 2.6 BALTIMORE OF 1854

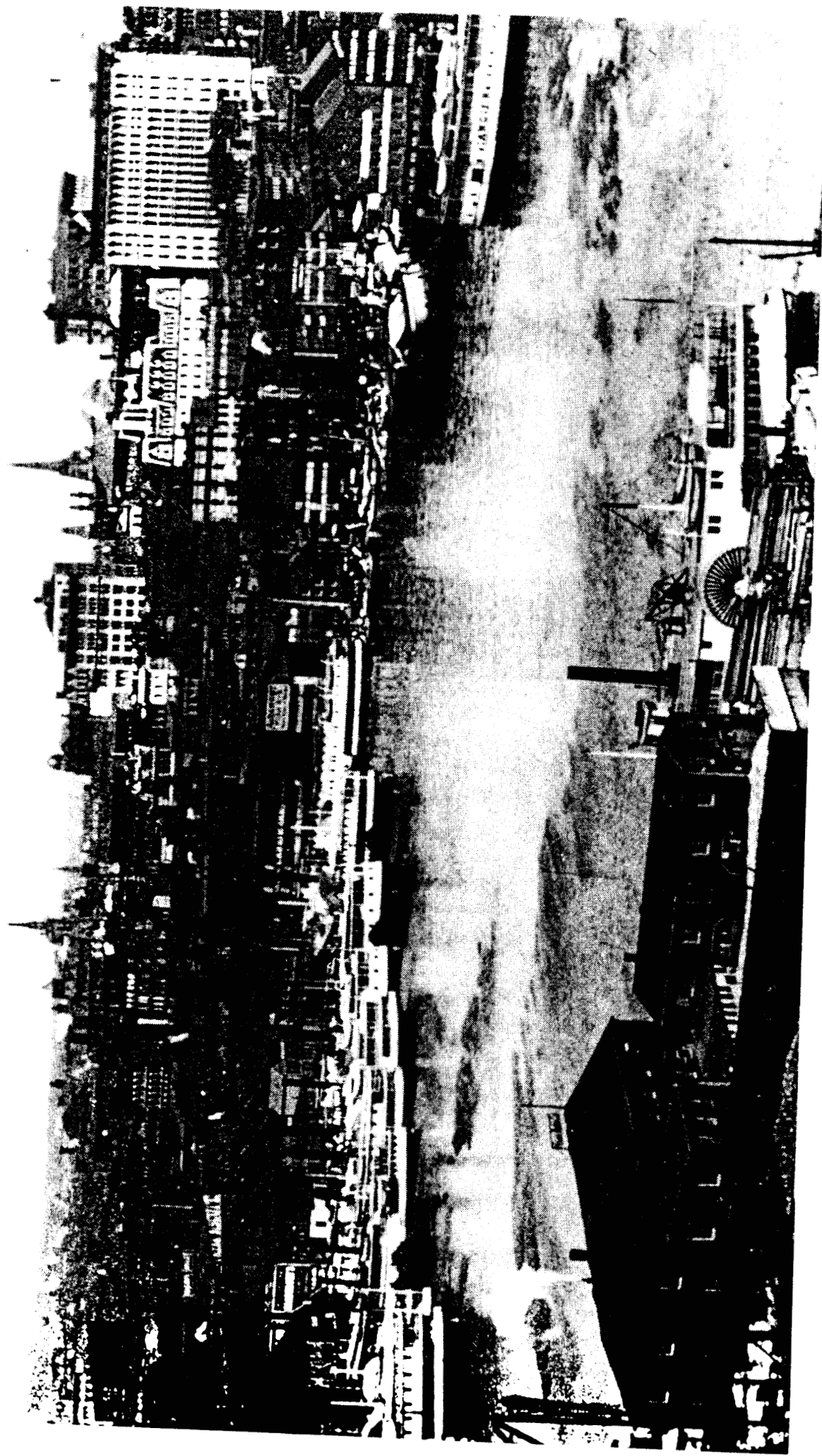


FIGURE 2.7 BALTIMORE'S PORT

Today, Baltimore is an interesting city, one of the ten best managed cities in the U.S.A. as it has been recognized by the Financial World magazine¹³. Its main characteristics are as follows:

Baltimore is an important transportation hub, with overland shipping of port cargo by rail and truck. The port of Baltimore is one of the largest U.S.A. ports in the North Atlantic. The great competitive advantage is its geographic proximity to the American Middle West; the city is within an overnight drive of one third of the U.S.A. population and most of the Canadian markets (see Figure 2.8). Furthermore, the close distance from Washington, D.C., only 35 miles to the south, resulted in recognition of the Baltimore-Washington area with its population of 6.9 million as the fourth largest market in the United States¹⁴. For the most of the 20's century, the city has been a leading manufacturing and industrial center along the East Coast. Its image is a city famous for its steel mills, automotive assembly plants, can companies, electronics firms and clothing, tool, spice and cosmetic factories. Although, few large firms are headquartered in Baltimore, the city is a regional or branch office location for major manufacturing enterprises.

Today the focus of the Baltimore economy is on financial, retail and service activities. Beside that, Baltimore is also an education, scientific and research center. It is the home of the several schools of the University of Maryland as well as the Johns Hopkins University, which, besides having an international reputation as a center of biomedical research is also one of the top-rated hospital and largest federally funded research university.

Baltimore also has a long history of ethnic diversity. It is a city with a non-white majority (see Table 2.7), strongly organised around communities that have strong traditions. About 680 active community based NGO's, many of them representing specific city's neighbourhoods, from which 51 are city wide or umbrella organizations, work to improve living conditions through self-help programs, political lobbying, as well as a lot of other efforts in Baltimore¹⁵. The city has grown over time. The territorial extension was based on several acts of the Legislature. The last land addition was made by the Annexation Act of 1918 by which the boundaries were extended to include the thickly populated suburban sections of Baltimore and Anne Arundel Counties adjacent to the city line (see Figure 2.9).

¹³ "Baltimore: Doing Business a World of Good," 1994. City of Baltimore Development Corporation, Baltimore.

¹⁴ "Greater Baltimore Region," 1994. Greater Baltimore Alliance, Baltimore.

¹⁵ Baltimore City's Community Association Directory, 1993. Baltimore City Department of Planning, Baltimore.

Table 2.7: Baltimore's Population in Comparison with Selected Cities in the U.S.A.

	Population	White Population	Black Population	Median House Income
	Rank ¹		Rank	Rank
BALTIMORE	726,096	39.6%	59.2%	\$24,045
	14		6	52
WASHINGTON	585,221	30.7%	65.8%	\$30,727
	19		3	16
PHILADELPHIA	1,552,572	54.6%	39.9%	\$24,603
	5		14	51
NEW YORK	7,311,966	52.3%	28.7%	\$29,823
	1		27	19
SAN FRANCISCO	728,921	53.2%	10.9%	\$33,414
	13		56	10
CHICAGO	2,768,483	45.6%	39.1%	\$26,301
	3		15	40
BOSTON	551,675	65.4%	25.6%	\$29,180
	20		32	22
LOS ANGELES	3,489,779	52.7%	14.0%	\$30,925
	2		44	15

Source: County and City Data Book, 1994.

¹ Ranking of all cities in relation to population in 1992.

The origin of the public governance in Baltimore is closely related to the legal recognition of the city. The town was founded in 1729 by the legislative act which typically for that period created a commission represented by seven residents of Baltimore County appointed by the governor to oversee the town's development¹⁶. Afterwards, the city was incorporated by the Baltimore Charter in 1796 which marked the beginning of a modern government. The Baltimore Charter has remained in effect, with several revisions, until present.

Local government of Baltimore is organized by the Baltimore Charter of 1796 which was last revised and approved by the voters in 1964. The government is significantly mayoral, where the mayor, once elected for a four-year term, has the power to control the majority of the membership of the Board of Estimates, the principal administrative body of the city. The mayor has the power to appoint the executive staff and city officers, and the power to veto ordinances passed by the City Council.

¹⁶ "The City of Baltimore Municipal Handbook," 1990. Department of Legislative Reference, Baltimore.

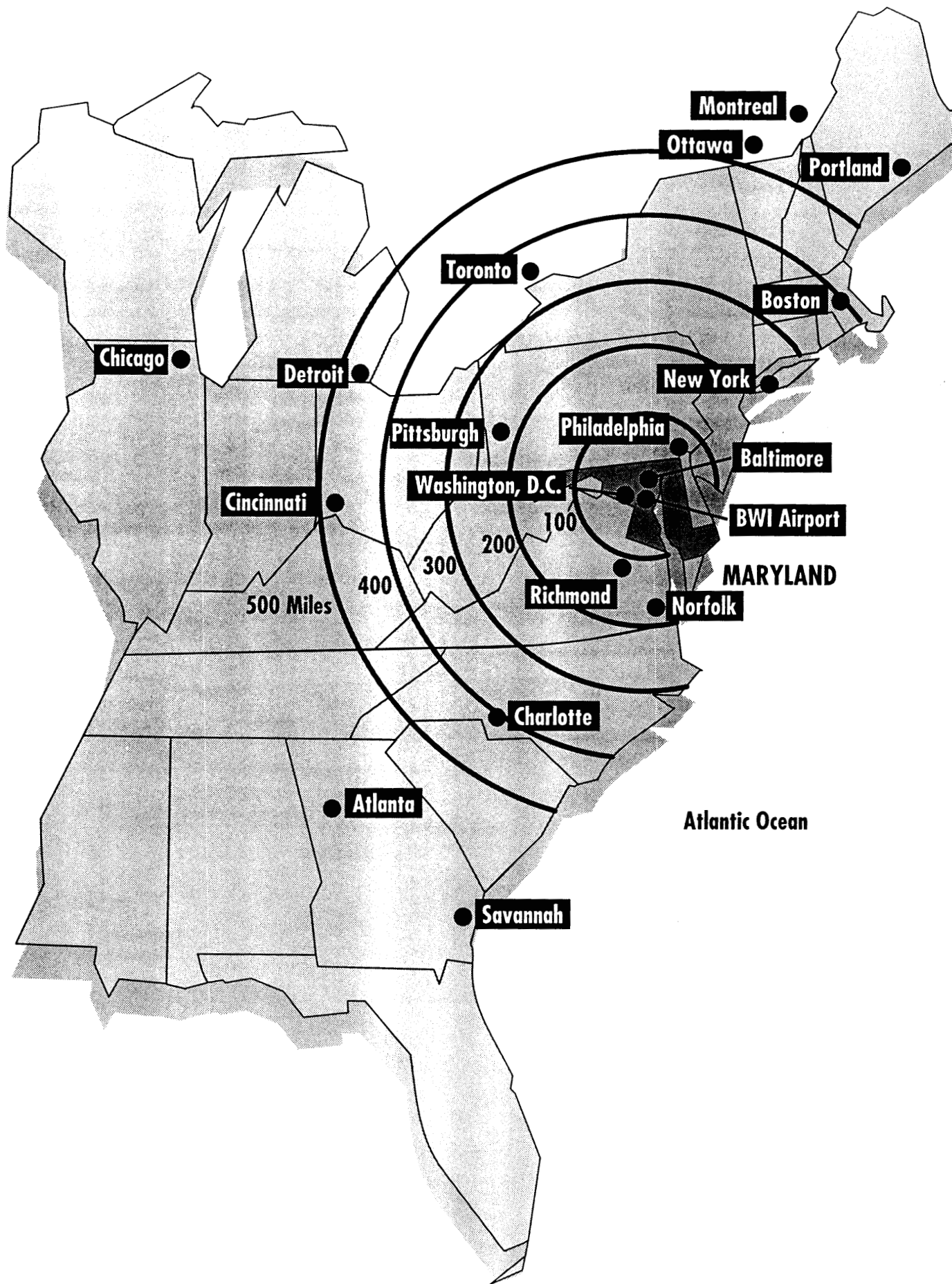


FIGURE 2.8 BALTIMORE'S OVERNIGHT MARKET

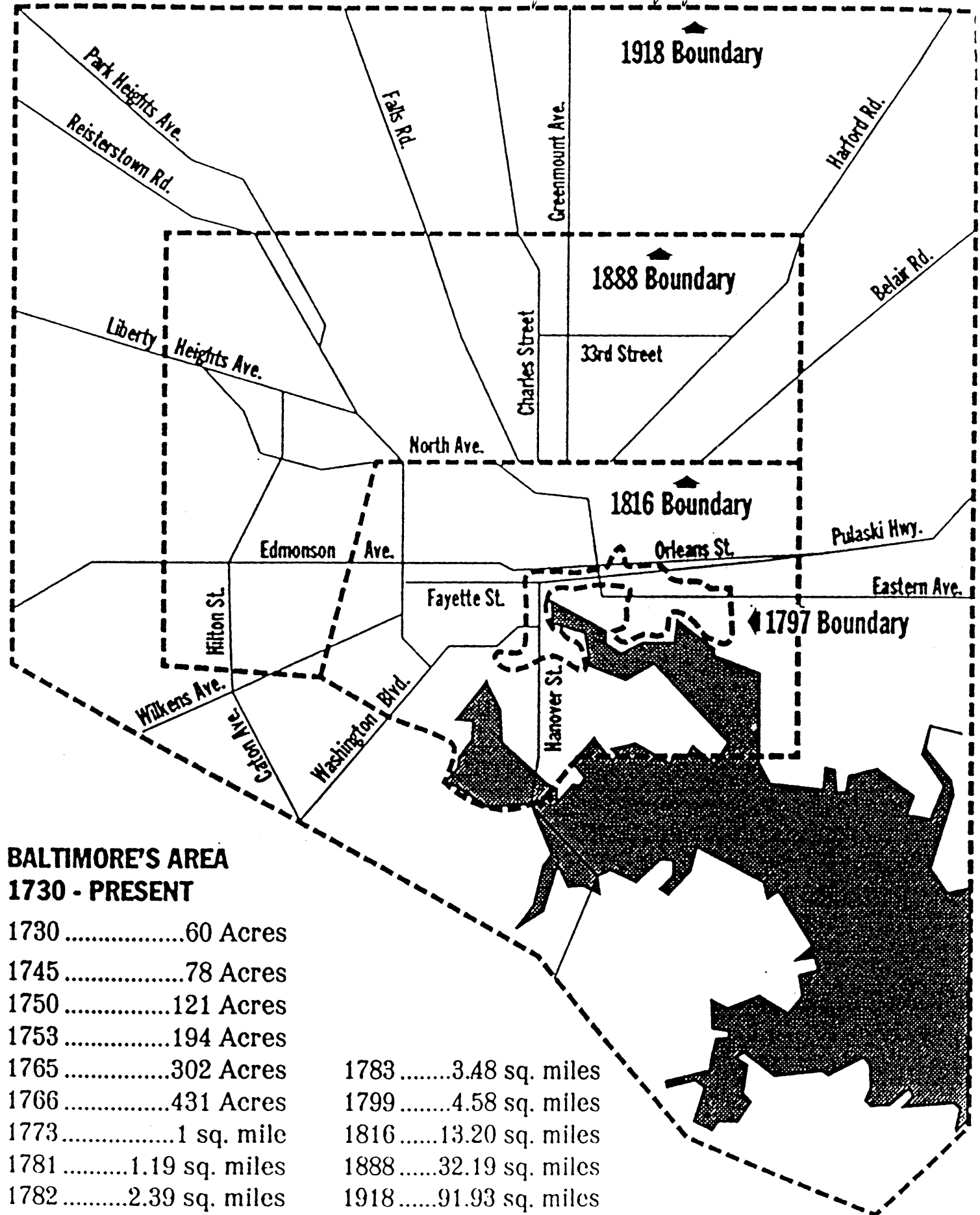


FIGURE 2.9 EXTENSION OF THE CITY BOUNDARIES

The members of the City Council are elected in relation to the Councilmanic Districts. By ordinance, the City is divided into six council districts (see Figure 2.10); from each of these districts three representatives are elected to the Council for a four-year term.

Today, Baltimore's face is a result of a tremendous effort to recreate Baltimore as a city; the city which is influenced by the hard era in the 1950s, when Baltimore faced decay and decline. As mentioned above, neighbourhoods declined, buildings decayed and were not replaced, and both people and business left for the suburbs. In addition, the exodus of the white middle class to the suburbs was aided by the large federal interstate highway and single family home mortgage insurance programs, which this trend accelerated.

Therefore, Baltimore's business community called public attention to the issue of central city decay and its impact on downtown economic activity and property values. In an effort to revitalize the city, area businessmen together with local government implemented a major redevelopment program known as "The Baltimore Renaissance". Baltimore's public and private entrepreneurs formed a partnership to plan for, and invest in development which resulted in the present revitalized downtown and waterfront area visited by many tourists and residents every day and studied by the planners and urban managers from all over the world.

Because of such an historic experience, the city of Baltimore is a good case to study for following reasons:

- First, the city of Baltimore is in a competitive position with other cities such as Washington, Philadelphia, and New York as is case of Bratislava in European conditions.
- Second, the city of Baltimore has almost the same population and therefore, both cities are facing similar problems in this respect.
- Third, both cities have experienced the history as industrial centres.
- Fourth, the revitalization of the waterfront area and redevelopment of downtown Baltimore is one of the most successful projects in the U.S.A. This successful story is known world-wide and has been taken as a model for several other cities.
- Fifth, the project has been in existence for more than 30 years which is appropriate long time to realize the most effective methods to be followed as well as to clarify worthless approaches necessary to be avoided.
- Sixth, the story is still under way. There are several other projects which are planned to be implemented in nearest future as part of a recently prepared economic strategy for 2010.

CHAPTER THREE

FROM PRIVATE TO PUBLIC-PRIVATE

This chapter describes historical bases of public-private cooperation in urban redevelopment in the U.S.A. It characterizes major actors and their motivation in urban problems solution. Then, federal programs that played important role in assisting partnership arrangement in the U.S.A. will be discussed. Finally, public incentives as the tools for encouragement of public-private cooperation and investment in urban redevelopment will be described.

3.1 HISTORIC OVERVIEW

"Prior to the Civil War in the U.S.A., many municipal corporations were formed to facilitate private investment" (Lassar, Terry J., 1990, p.11) In that period, the distinction between private and public operations and investment was not always clearly defined. "The financial crisis, poor public judgement, and a growing sense that public corporations had no place being involved in private enterprises" (Lassar, Terry J., 1990, p.11), led to a separating private and public corporations. For more than 100 years, between 1860 and 1960, municipalities played the traditional and expected role of providing basic services such as fire and police protection, and schools and roads in order to support new development. In this period, the private sector was encouraged by the market forces and was primarily carrying urban development tasks and responsibilities for both costs as well as profit of the development. "The majority of real estate development in the United States has occurred through conventional development process in which public and private sectors maintain their distance, performing separate, independent functions" (Lassar, Terry J., 1990, p.1).

The public-private partnership type of development which occurred after 1960s in the U.S.A., erodes the lines of distinction between public and private functions and points towards a restructuring of the traditional development process. The base for the changes in methods used in the development process can be seen in several important trends:

- First, deterioration of the inner parts in the frostbelt cities, massive exodus of the population to the suburban areas, which resulted in recognition of the redevelopment problem.
- Second, transformations of the U.S.A. federal policy which has its origin in the Kennedy and Johnson administrations as the massive federal involvement in cities with programs like the War on Poverty and Model Cities.

- Third, cities' image-making manner which could be characterised as the effort by the municipal government to be involved heavily in projects like homesteading, the inner harbor development, and cooperation with communities represented by the neighborhood associations.

The facts described above preconditioned public policy evolution which resulted later in the introduction of several federal programs which provided a considerable amount of public money used for economic and urban redevelopment purposes and in the same time opened the doors for direct cooperation between the public and private sector in the U.S.A.

3.2 MAJOR ACTORS IN REDEVELOPMENT

The standard urban real estate redevelopment involves set of different actors involved usually only from public and private sector such as developers, public officials, real estate consultants, city planners, and etc. Their roles in the process have been significantly transformed. Traditionally, the public sector's role in urban redevelopment was completely separated from that of the private developer. Today, the roles in the urban redevelopment process are overlapping with each other and cooperation and 'working together' approach is used. While, in the beginning of the cooperative approach, government was assembling sites, writing down the cost of acquisition and clearance, providing the infrastructure to serve the sites, or establishing the municipal financing mechanisms for certain funding, such as tax-exempt bonds, it recently expanded its role. The new role includes sharing risk as well as profit, participating in loan commitments and mortgages, sharing operating as well as capital costs, participating in sale or leaseback arrangements, providing favourable tax-exempt financial packages, encouraging cooperation among municipal entities, and creating special redevelopment authorities.

The role of the private sector has been expanded as well. The private sector has become involved in the planning, construction and operation of the infrastructure and public facilities that serve the sites such as sewer, water, and electricity which were predominately public responsibility. The private sector's contributions to a public-private partnership and also its practical experience, expertise, and ultimately, the practice of marketing a project.

Nevertheless, opportunities for joint public-private projects are by no means limited to redevelopment, they differ from case to case and presence of the actors is expanding as well, e.g. cities and counties are joined with private developers to construct sports stadia, convention centres, and parking facilities. Quasi-public institutions like hospitals and universities are participating with the private sector to develop research parks, hotels or university campuses, and medical office buildings within hospital complexes (Levitt, Rachelee L., and Kirlin, John J., eds., 1990).

Today, the public-private co-development in the cities involves three main categories of actors, each including both individuals and organizations;

- **Public sector;** federal, state and local government, different public agencies.
- **Private sector;** supplier as well as demander, individual such as developer, architect, contractor, organizations such as insurance company as investor,
- **Third sector;** non-governmental or non-profit organizations such as community associations, development corporations, advocacy groups, low-income housing associations, and individuals such as community members, etc.

3.2.1 Public Sector

The public-private partnership structure could involve all levels of government - federal, state and local. In relation to their position in governmental structure, responsibilities, and availability of public resources, they could play different roles. Generally, the public sector, in order to express its policy on urban redevelopment, plays several important roles;

- **regulator**, to preserve, e.g. the style of living in a certain location (zoning), or to protect existing physical building stock with historical value;
- **supplier**, providing infrastructure such as roads, sewer and water facilities that are necessary precursors to redevelopment;
- **user**, utilizing direct effects such as the use of rehabilitated or newly built housing stock in redeveloped areas as well as indirect effects such as improved environmental conditions, etc;
- **policy applicator**, decides who should pay a cost, what type of activities should be encouraged, and what type of incentives should be applied;
- **financier**, investing in public utilities, financing the planning and preparation.

In the U.S.A., the federal government is a key important player in the redevelopment process for several reasons:

- First, federal facilities have a dramatic impact on surrounding development. This impact can be identified by the effect of federal facilities on the economic base of the community in which they are located. Elements such as housing patterns, commercial services, and entertainment represent areas in which the impact is most visible.
- Second, the federal government introduced several regulatory programs concerning especially environmental issues which affect and create limits for redevelopment.
- Third, a variety of federal programs support and finance state and local government activities to promote economic development through land use planning, housing and related redevelopment programs in the cities.

Thus, by ownership, regulation and financial support, the federal government is a prime influencer on the redevelopment process in the U.S.A.

The role of state government is often in provision of the regional infrastructure which is necessary either for development or redevelopment. Similarly, like the federal government, the state government handles the locations of state government facilities such as prisons, universities, and office buildings that have significant impact in given locations. State governments have traditionally passed most of their regulatory role to the local governments through local government enabling statutes. However, this can vary considerably from state to state. For instance, in California, the state government has implemented a significant amount of legislation affecting particularly coastal development (Wurtzebach, Charles H., 1995). Throughout the last decade, a trend toward greater land use planning at the state level has developed.

Local government plays extremely important role:

- First, it is the government unit which exercise power through zoning, subdivision ordinance, and building codes. Furthermore, through the power of eminent domain, local government can condemn land for public use.
- Second, local government has the power to tax real estate property, which is the powerful instrument in order to encourage or discourage private investment in redevelopment.
- Third, as similarly mentioned at the federal and state level, the provision of infrastructure is a major role of local government as is facility location.
- Fourth, the local government is very often the facilitator of the supportive and financial programs of federal government directed to urban areas.
- Fifth, local government is also significant owner of the property in the cities. In Baltimore, for instance, the real estate property total value is approximately \$10 billion. The one third of it - \$3 billions, is owned by the public sector (all levels of the government), but the dominant owner is local government of Baltimore.

Different governmental departments and public agencies are in charge of the implementation of public objectives. They are subject to civil service constraints, political pressure, and state and local laws. This limits their ability to deal directly with private entities involved in the redevelopment process. Their advantage is their direct access to public finance such as city funds and state or federal grants. However, just as in the private sector, individuals carry out each of these government functions mentioned above. Nevertheless, it should be obvious that government is an important actor and partner if the redevelopment issue is on the table.

3.2.2 Private Sector

The private sector plays an essential role in urban redevelopment. It can play the role of supplier as well as demander or user of urban fabric and space in redeveloped

areas. Corporations, firms as well as individuals are involved in this process. Individuals such as developers, architects, contractors, and companies such as banks and life insurance companies (acting as institutional investors), etc.

Private development corporations and private development organizations are the most common entities established to directly support and manage the redevelopment process in urban areas. Private development corporations are usually established as limited dividend corporations by private entities to carry out a project. They can be granted tax abatement or long-term leases of municipally owned land or property. Private development organizations such as typical downtown business associations are usually established to act as a catalizator during initiating projects. Infrequently, they are politically accountable. They have the ability to mobilize public and private resources but with limited capability to implement long-term financing.

Redevelopment by its nature focuses on "existing development", on existing structure which may be converted to a new use. It is a multidisciplinary business in which experts from various disciplines must interact with each other, acting as co-participants or establishing formal partnerships. At the same time, different partners have different goals or interests in becoming involved in redevelopment (see section three of this chapter). Due to the fact, that from the beginning of 1990, the most of the market is overbuild in the U.S.A., new space is not urgently needed. The redevelopment as a specific type of development will became the most common investment in the cities of the U.S.A.

3.2.3 Non-Governmental and Non-Profit Sector

Non-profit or non-governmental organizations have a long tradition in the U.S.A. They have been identified as one of the most distinctive and critical features of American life by the Frenchman Alexis de Toqueville more than a century and a half ago¹. These organizations have been recognized as the non-profit sector sometimes also called the third or independent sector, plays an important role in the American society. The legal base for these private, nonprofit organizations originated in U.S. tax law 501(c), (see Box 3.1), under which organizations can claim exemption from the federal income tax. A lot of these organizations are exempt from most state and local property tax as well. Contributions to these organizations which are under Section 501(c)(3) are also tax deductible.

In other words, the private companies who donate to these organizations can deduct their financial donation from their tax base. Non-profit and for-profit organizations have several similar characteristics.

¹ Salamon, Lester M., 1992. "America's Nonprofit Sector: A Primer". Foundation Center, New York.

Box 3.1

They are governed by the board of directors, they have full-time paid highly professionalised staff, they operate in an innovative way, they are flexible and working business like.

There are several different types of non-profit organizations directly involved in urban or economic redevelopment in American cities. Based on the source of their operational finance, formation of their boards of directors, sector by which they were established, and the scale of operation, they could be recognized as the following representative groups:

- **Councils** such as Baltimore Metropolitan Council which has been transformed from a state agency;
- **Community Associations or Enterprises;** which are usually based on neighbourhoods and have been formed by individuals or private representatives;
- **Corporations - economic, development, financing** such as Baltimore Development Corporation usually established by local government.

Most of the organizations which operate in cities and deal with urban development are called quasi-governmental organizations. Many times, these organizations are established by government or transformed from former government agencies. The degree of public control and accountability distinguishes them from other non-profit organizations who are financed by private sources. They frequently operate under contract to the city, for instance, Charles center/Inner Harbor Management, Inc., or their initial capital may come from the public sector, e.g. Baltimore Community Development Financing Corporation. They are often staffed by individuals who can freely deal with the public and private sectors. They can offer the following advantages to private developers as described by the 1978 National Council on Urban Economic Development:

- structural independence from city government;

Types of Tax-Exempt Organizations under U.S. Law

Tax Code No. Type of Tax-exempt Organizations

501(c) (1)	Corporations organized under an act of Congress
501(c) (2)	Title-holding companies
501(c) (3)	Religious, charitable, educational, etc.
501(c) (4)	Social welfare
501(c) (5)	Labor, agriculture organization
501(c) (6)	Business leagues
501(c) (7)	Social and recreational clubs
501(c) (8)	Fraternal beneficiary societies
501(c) (9)	Voluntary employees' beneficiary societies
501(c)(10)	Domestic fraternal beneficiary societies
501(c)(11)	Teachers' retirement fund
501(c)(12)	Benevolent life insurance associations
501(c)(13)	Cemetery companies
501(c)(14)	Credit unions
501(c)(15)	Mutual insurance companies
501(c)(16)	Corporations to finance crop operation
501(c)(17)	Supplemental unemployment benefit trusts
501(c)(18)	Employee-funded pension trusts
501(c)(19)	War veterans' organizations
501(c)(20)	Legal services organizations
501(c)(21)	Black lung trusts
501(d)	Religious and apostolic organizations
501(e)	Cooperative hospital service organizations
501(f)	Cooperative service organizations of operating educational organizations
502	Farmers' cooperatives

Source: Salamon, Lester M., 1992.

- expansion of public power;
- privacy of negotiations;
- coordination of public and private resources;
- access to public officials as well as to private developers.

Most of the quasi-governmental organizations have been developed to accommodate government involvement in commercial type of activities. It has been a way to enable public sector to act more business like, to escape or reduce budgetary and personal controls which apply to regular government departments and in classic bureaucracy (Salamon, Lester M., 1992). They profit from their special legal status as private bodies as well as from their close relations with public sector which provides them with development powers typically limited to municipalities, and they are advanced by tax exemptions as well. They can cooperate directly with private developers and enter into profit-making ventures. Profits are usually channelled into the organization's capital revolving fund for future development activities. "They provide an alternative to city governments that would otherwise be prohibited from entering directly into certain types of development projects" (Basile, Ralph J., et al, 1980, p.153).

3.3 ACTORS AND THEIR INTERESTS

3.3.1 Interest of Public Sector

The most common reason for public sector and particularly local government to participate in urban redevelopment is to increase the local tax base. In addition, there is interest in revenues from city sales taxes, users fee, or recently also in the profit share from the projects with public sector investment participation, e.g. in the Hyatt Regency Hotel in Baltimore where the profit, after payment of all the loans, is one-third to the hotel and two-thirds to the city. This all aspects are a primary driving force especially in the U.S.A. where the property tax revenue is major income into the local government budget. There are also other goals which importance is significant as well; creating jobs, expanding the community's retail or commercial base, and creating new housing opportunities. There are very important secondary goals or long term goals include creating a better urban environment, treating blight and decay, stimulating job creation, integrating public uses into the project such as convention centres, sport arenas and arts centres, creating image and strength competitive position of the city to assure urban productivity of the city.

3.3.2 Interest of Private Sector

The most common interest for the private sector to participate in redevelopment projects is to generate the profit. To invest the financial capital into land or buildings, throughout redevelopment process, increase the value of the real estate, and to sell or to lease the property with the profit which should be significant enough to cover

existing expenses such as buying the land, construction, repayment of the loan as well as to generate additional finance for future other projects. But there are other goals which should be not neglected too. The interest is to locate firm in the prestige location, in location which has additional assets such as view at waterfront. They are usually mixture of the primary and secondary or short term and long term interests. The decision to take part in the redevelopment process is influenced by many factors, e.g. location, interest rate, demand and supply for particular real estate product, etc. Basically, the private sector is looking for reduction of expenses, minimizing the risk, potential for future redevelopment or other variables which could be part of the projects.

3.3.3 Interest of Non-Profit Sector

Interest of the non-profit sector is usually motivated by the failures of the private sector or public sector. It is growing in the areas very dissatisfaction, e.g. the provision of the services or housing stock, reached the point where the problem is recognised or badgering certain interest group. Very often this interest groups organize themselves from bottom up. There are usually community based organizations. In U.S.A. is common also creation of the non-profit from top-down like it is in the case of councils type of organizations which have origin in the state agencies and organizations. Driving force behind establishment of the non-profit organizations is their specific interest which cannot be easily represented or is not considered as the interest only of the public sector or private sector.

3.4 PUBLIC-PRIVATE COOPERATION

3.4.1 Federal Programs

As mentioned in section one of this chapter, in the early years, urban redevelopment was financed largely by the funds created by a number of federal programs. The most important federal programs which were widely used for urban redevelopment are as following:

- A) Urban Renewal Program of 1949**
- B) Housing and Community Development Act of 1974**
- C) Urban Development Action Grant Program (UDAG) of 1977**

A) Urban Renewal Program

Urban Renewal began with the Housing Act of 1949 and was officially ended in 1973 (though some funding of projects started before 1973 continued far into the 1980s). Urban Renewal program was and still stands as the largest federal urban program in

U.S.A. history.

The goals of the program were mainly eliminating substandard housing, revitalizing cities' economies, constructing good housing, and reducing de facto segregation between white and non-white population. Besides its main focus on housing, the importance of this program was that it helped to redeveloped many of the declining urban cores of the older industrial frostbelt cities.

The rationale for Urban Renewal stems from simple economic circumstances:

- First, the land assemblage problems in the cities especially in the older core. Typically, urban land ownership in the middle of the cities is highly fragmented. For the developer setting up a major project it may be necessary to deal with dozens of different owners. In some instances their titles may have legal problems that cannot be resolved without substantial delays. In other cases the owner of a small parcel may exploit his or her capacity to block a large project by holding out for a price that far exceeds the fair market value of the land. Compared to the urban fringe, where land is generally owned in much larger blocks, the situation can be very discouraging (Levy, John M., 1994).
- Second, initial costs demanded such as payment for residual value of existing physical fabrics or clearance the sites.

The Housing Act of 1949 created the Local Public Agencies (LPAs). LPAs had the power and financial resources to acquire, clear, and prepare sites and sold or lease them to private developers at substantially below cost. Significant was change in use of eminent domain power. Previously it had been understood that eminent domain could be used to take private property and convey it to a public body for public use, f.g public school. But under Urban Renewal government took property from one private party and ultimately conveyed it to another private party, the developer building on the Urban Renewal site². "By absorbing the residual value as well as many other development costs, the program greatly accelerated the redevelopment process within the designated renewal areas of cities. By using public powers to acquire and clear large sites, the program permitted far more coordinated development than would otherwise be the case." (Levy, John M., 1994).

Two thirds of funding was shared from the federal government and one third from the municipality. The methods used was clearance and rebuilding directed by local agencies. "By 1973 the Urban Renewal program had spent approximately \$13 billion in federal funds, a figure that would be at least three times as large if converted into 1990s dollars" (Levy, John M., 1994, p.177). To this figure should be added several billions dollars in local funds and the private investments which substantially exceeded

² In 1954, the property owner took an Urban Renewal Agency to court. In *Berman v Parker* the Supreme Court sustained the agency.

the total public expenditures.

B) Housing and Community Development Act of 1974

The Urban Renewal program was still in effect but, it accumulated so many problems that in 1973 Congress terminated the program and replaced it by passing the Housing and Community Development Act of 1974. The Act provided Community Development Block Grants (CDBGs) to pursue a very wide range of activities including, but not limited to, activities that had been pursued under the Urban Renewal program. The intent of the block grants approach was to reduce the federal role in local affairs by allowing municipalities more discretion (Levy, John M., 1994).

Box 3.2

Community Development (CD) funds were 'stimulative,' not 'substitutive'. In other words, "municipalities were not to use CD funds for expenditures they would make in the absence of such grants, nor were they simply to use CD funds for tax relief". (Levy, John M., 1994, p.185). The legislation required the predominant use of CD funds to benefit low- and moderate-income families (see Box 3.2). The Act required to include a Housing Assistance Plan as well as it imposed significant 'citizen participation' requirements on communities.

Community Development Funds

Community Development funds were distributed on a formula basis, which counted population, age of housing stock, and poverty. Thus virtually every municipality in the U.S.A. received some funds. Municipalities were free to expend funds on a wide range of projects, including many types of services provisions as well as capital expenditures. Among the purposes for which CDBG funds could be used were acquisition of real property, public facilities and improvements, parks and playgrounds, centres for the handicapped, neighborhood facilities, solid waste disposal facilities, parking facilities, public utilities, street improvements, water and sewer facilities, pedestrian malls and walkways, flood and drainage facilities, clearance activities, public services, rehabilitation of public residential structures, rehabilitation financing, temporary relocation assistance, and a variety of economic development purposes.

Source: Levy, John M., 1994.

C) Urban Development Action Grant Program

In 1977, congress expanded the provision of the funds intended specifically for local economic development under the Urban Development Action Grant (UDAG) program. UDAG grants were typically used for site acquisition and clearance to facilitate local economic development. Unlike the CD grants there was no entitlement. Obtaining a UDAG grant was a completely competitive process. In effect, UDAG finance enabled municipalities to do a commercial renewal projects such as site acquisition, site clearance and improvement, and then sale or lease at below cost. Although, the program was popular with the cities, it was phased out at the end of the Reagan administration; "such grants constitute a public allocation of capital to which the free market conservatives is likely to be opposed" (Levy, John M., 1994, p.186). But there were other facts also contributed to the program's demise; "some instance of corruptions and excessive profits were turned up and the general budgetary pressures generated by the federal deficit and the Gramm-Rudman bill" (Levy, John M., 1994,

p.186). Nevertheless, the federal programs described above were significantly assisting to form the new roles and performance of the major actors involved in urban redevelopment process.

3.4.2 Rationale of Public-Private Cooperation

The relationship between public and private sector, and non-profit organizations and their participation in redevelopment can take a variety of forms. From non-interest and conflict to direct involvement and partnership. Especially public sector can influence and actively encourage the level and quality of cooperation in several important ways:

- Assembling land with its power of eminent domain;
- Allowing tax abatements and/or land write-downs;
- Providing zoning incentives;
- Encouraging favourable financing, including the use of general city funds, foundation and business support, federal grants, industrial revenue bond, and mortgage revenue bonds;
- Providing public infrastructure such as streets improvements;
- Providing project components such as convention center;
- Actively directing the redevelopment program.

The appropriate role for the public sector depends upon objectives to be served by the redevelopment program, money and time available, costs and benefits of alternative actions from community point of view. In addition to conventional analytical tools (e.g. market research or feasibility testing), the public sector can provide cost-benefit, fiscal impact, and cost-effectiveness analyses to address issues of public policy (Schwanke, Dean, et al, 1987).

As mentioned in section 4.1 of this chapter, urban redevelopment is a type of development which required higher initial costs (clearance, paying residual value of the property) and face problems with assembling the property (in the center of the city the land is usually divided into relatively small parcels owned by separate parties). Also the zoning regulation and historical preservation requirements are much more strong in the urbanized areas (especially centres of the cities) where redevelopment the most often taking place. All this can frustrate private investment and encourage it from taking part in redevelopment. Because of this, public incentives and cooperation play crucial role in the process of urban redevelopment and they can be used as outside assistance or in partnership structure.

Public incentives does not mean automatically massive outlays of funds though it was very often the case between 1950s and 1970s in the U.S.A. Today, it means more business like or entrepreneur public sector behaviour which opening possibilities for more flexibility and in the same time encouraging public sector use of new methods and incentives which are more responsive to the nature of private business so, the needs of both sectors and the final goal - public benefit can be easily matched. In any

case, incentives should be analyzed for their cost effectiveness to ensure that the incentives that are most effective in attracting private investment are also least costly to the public sector.

Through studying Baltimore's experience of public-private partnership it became clear that public-private cooperation has broad meaning and could differ in a ways how partners involved are tied together and how responsibilities are shared among the partners. The public-private partnership has been developed because of growing necessity to attract private sector to do development which otherwise private sector does not seen as much attractive or in other words the highest efficiency was not assure - the best use and the highest efficiency of particular location.

3.4.3 Tools of Public-Private Cooperation

Public sector developed range of innovative and creative techniques which could be applied as the tools of cooperation to motivate private investment such as following:

1) Inducing Demand

Demand is a primary variable in determining whether or not private development will occur. In that respect, the promising expectation of the leasing or selling of space at a price high enough to cover development costs (costs of land assembly, relocation, demolition, and public improvements), so a profit for the investor and developer will be ensure is the key to the success of redevelopment project. Local officials can stimulate demand for a private development in a number of ways:

- **Public affairs program.** The regularly and carefully directed program that stress the advantages of city center, which "sells downtown."
- **Reducing taxes.**
- **Favourably pricing public services like water and sewerage.**
- **Public sector itself as demander for space.** A public lease commitment as a major grade-A tenant can help to obtain financing and makes it easier for the developer to obtain other lease commitments.

2) Assisting in Site Assembly

In the already developed areas, assemblage is typically obstruct by the relatively high property values resulting from existing improvements, "owners who are unwilling to sell regardless of price or who hold out for the maximum price possible, clouded titles, and the time and legal costs required to negotiate for a number of parcels" (Basile, Ralph J., 1980, p.154). There are techniques which might be used by public sector, separately or in combination, in order to alleviate these problems for private developer as following:

- **Quick take by eminent domain** - the power to take private land for public use,

compensating the owner based on the land's current use, so negotiation with private developer is possible before assembly of land. Final disposition of the action is accomplished after the taking either by negotiation or by court determined compensation.

- **Land Banking.** Land banking allows a city agency or local development corporation to acquire and assemble land suitable for development and hold it until a suitable user is identified. There are several slightly different ways of possible land banking used in U.S.A. For details see Box 3.3. The revolving fund is an important part of the land banking arrangement because it enables to market center city land at prices competitive with outside city sites and it enables to pay the costs of preparing the sites for redevelopment.
- **Ground leases** - long-term leases can provide for a minimum base payment plus a percentage of income generated by the project or by some other graduated arrangement. In this case, if the project does well, the city shares in the income and can recover some or all of its costs. City can also execute a mortgage of its land as security for the development loan to the lessee.
- **Air rights transfer** - provision of usable sites for development while the city retains control and use of the land below the development.
- **Development Rights Transfer** - relieves development pressures on sites and protects areas, e.g. open space or where historic structures are located. A 'sending' and 'receiving' area are designed. This technique can increase a building's total floor area in 'receiving' sites and to increase its lot coverage beyond what the zoning ordinance would normally allow there.
- **Private use of eminent domain** - private developer granted by power of eminent domain, who develop the properties in accordance with locally approved plan. It is usually connected with certain limitations on earnings and interest payments.
- **Land Exchange or land swaps** - the 'trade' between public and private parties to reorganize land ownership. It is based on values set by an independent appraiser so that party has a consolidated and usable land parcel.
- **Relocation assistance to private developer.** It can take form of loans and grants to pay for moving expenses or aid in finding of developing a new site for those who must move.
- **Land writedowns** - selling improved land bellow the cost of acquisition,

Box 3.3

Land Banking

"The Economic Development Corporation in San Diego secures properly zoned city-owned land with a first option to purchase or lease it at approximately one-half of fair market value. When a developer shows interest, the corporation exercises its option to purchase or lease the land and then immediately sells or leases it to the private developer. Net proceeds from the sale or first five years, are placed in a trust fund for future land transactions."

"The Philadelphia Industrial Development Corporation encourages private investment by selling city-owned property at below-market price. The Corporation also acquires additional properties for development and funds site improvements on existing properties. The proceeds of land sales are returned to the fund so that the city can buy more land when it is available."

Source: Basile, Ralph J., 1980.

clearance, and associated administrative outlays.

- **Enterprise zones** - especially established areas in which various regulations are waived or taxes are reduced.

3) Innovative Land Use Controls

In the U.S.A., the entire communities are zoned in a conventional Euclidean manner³. Thus, flexible regulation and new zoning measures can create market opportunities in depressed areas.

- **Bonus zoning.** Local authority may allow increased residential densities if developers will include some units reserved for low-income tenants, or will provide certain amenities e.g. a plaza in front of the entrance.
- **Performance zoning.** Intensity of use is controlled by limits on floor area ratio (FAR) and the percentage of site that can be covered. In this case, there are usually no limitations on the type of housing, side yard and rear yard setback, and building height.
- **Development agreements.** The contract between developer and the municipality specifies what the developer may do (usually things which are not permitted under the existing zoning) and also what he or she is required to do within the project area. In a case of multistage project it gives the security of not changing the zoning and other controls during the process of build out period from the municipality side.

4) Public Financing Assistance

In highly competitive capital market, a project that may benefit the community may not be able to attract the necessary financing from the private market at supportable interest rates. Public financial assistance programs can make development projects very attractive. Favourable financing can come from numerous sources and it can have several forms:

- **Direct loans from the public sector at below market interest rates.** (Public sector can borrow money at a lower interest rate because the interest it pays is tax exempt). It can be in a form of second mortgage. In a case, when state constitutions prohibit the use of public funds for direct loans, investments, or grants for business development, then, creation of economic development corporations serve as a facilitator for city grants, loans, and contracts to private entities have been allowed.
- **Guaranteeing loans, creating loan funds, or subsidizing the interest rate on a loan throughout loan pools.** Loan pools are established with local funds

³ Traditional, usually mono-functional, ordinance first time designed by Edward M. Bassett, father of zoning in the United States.

matched federal assistance. The local funds in the pool can be a mix of public and private funds, including various sources of nonlocal development capital available to economically depressed urban municipalities.

- **Issuance of municipal bonds** - to cover costs of the project, usually initial costs such as land assembly, clearance, the municipalities issue a bonds which have to be approved by the voters. There are several different types of bonds; industrial revenue bonds, mortgage revenue bonds, general revenue bonds, and etc.
- **Federal or state grant programs**, e.g. Urban Development Action Grant program, Community Development Block Grants which are described in detail in section 4.1 of this chapter.

5) Assistance through Taxation Policy

- **Property tax incentives.** First, property tax incentives eliminate uncertainties about taxes for developer, and, second, they improve the developer's cash flow by reducing taxes, particularly during the early months of a project when income and expenses are unbalanced. They should be carefully tailored to specific real estate objectives and offered selectively, otherwise, they become subsidies for construction that would have occurred in any case. There are two major forms; graded property taxing taxes land at relatively higher rates than the improvements. Land value taxing taxes the value of the land excluding any improvements which encourages existing owners to sell to developers interested in using the land for its full economic potential, and stimulate intensive land development and property rehabilitation.
- **Tax abatement** incentives are addressed to specific developments rather than to changes in the overall taxation policy. There are in the form of tax stabilization, a tax freeze, or a tax exemption for a limited time.
- **Special taxation districts** - used to levy either regular higher property tax assessments or special benefit taxes based on the value of the land excluding improvements. Tax revenues are used to retire bonds issued by the city to pay for the improvements and services in the district.
- **Tax increment financing** - flexible, low-cost mechanism uses projected increases in property tax revenues in a development area over a specific period to back bonds that are used to finance project costs in the area.

6) Public Improvements

To attract private investment in specific neighbourhoods, the local government can provide a range of improvements or project components. They can include major city wide improvements such as transit systems, highway; major public facilities such as schools, government office buildings; public amenities such as plazas, outdoor recreational facilities. Project components such as parking facilities are among the

most common public services a local government can provide to stimulate development in center city. Unusual public service cities can provide is cheap energy or crime prevention program.

7) Cost Sharing

The cost sharing concept for public-private facilities is a necessary part of a creative approach to public-private partnership in urban redevelopment. In this kind of the projects, it has become difficult define public improvements and private responsibilities. While cost sharing for actual improvements is a relatively common practice, costs for the studies leading to the definition and design of redevelopment projects can also be shared when both public and private sectors are involved. Sharing development management costs is another opportunity for both public and private interests to become involved.

Public-private cooperation can have several faces and depends upon public sector strategy and goal achievement. It may range from passive to active involvement, it may incorporate one or all of the special tools available to it. Where redevelopment and revitalization become an issue, public officials should develop a political, planning, and economical environment that support the project feasibility and attractiveness for the private involvement. A good case in point is Charles Center and Inner Harbor project where the active direction and cooperation by the public sector and primary support and investment by the private sector was exercised. This world-wide known example is discussed in the following chapter four.

CHAPTER FOUR

BALTIMORE'S RENAISSANCE

"No stranger can go to Baltimore today without catching something of this resolute city's spirit."

Gilbert Grosvenor, National Geographic.

As mentioned in chapter two section eight, in 1950s, Baltimore was facing economic decline as well as disintegration attacking Central Business District (CBD). Firms were moving out; many were going out of business. "There was little new money being invested in either new or existing buildings" (Bonell, Barbara, 1994, interview). "In fact, we had a full flight of capital from the central business district." (Cooper, Harry B., 1964, p.18). Property values and assessments were under pressure and increasing tax rates merely accelerated and contributed to the downward spiral. The reality was that the higher tax rates produced even lower tax income.

There was evidence of retail decline in the city center, and the poor state of housing in the inner city was also generating concern. "The downtown employment had not grown in 20 years. Two million square feet of loft and warehouse space were vacant. Between 1952 and 1957, assessments in the CBD declined 10%, while the total for the city as a whole was growing by 20%. In the same years, downtown department store sales declined 12%, and transactions (a better measure of retail activity) had declined even more. Property was sometimes selling below its assessed value, and the vacancy rate was as high as 25% in some blocks." (Moss, Hunter, 1964, p.13).

Despite losses from downtown, the region was growing. "Whilst the population of the region nearly doubled between 1940 and 1980, within the central city the number of people decreased from 950,000 to 787,000 in 1980" (Christopher, Law M., 1988, p.151). Thus, Baltimore redevelopment was conceived in a conflicting environment of serious, accelerating decentralization and remarkable regional growth. Therefore, Baltimore's renaissance or in other words the Charles Center and Inner Harbor redevelopment programs have been the earliest and largest efforts at downtown revitalization in Baltimore. Each is really made up of many projects that are part of an overall plan for center city redevelopment adopted in 1959.

4.1 THE CHARLES CENTER PLAN

The entire Charles Center plan is located directly in the center of Baltimore downtown as an area of 33 acre covered 14 blocks.

It is a complex of office building towers, linked together by an elaborate system of pedestrian walkways, plazas and retail shops, while the parking space and servicing are located in underground (see Figure 4.1). There are also a theatre, a hotel and two high-rise apartment towers, creating a balance of commercial activity, open space and leisure-time enjoyment (Millspaugh, Martin, 1964). The proportion of above mentioned functions is as following:

- Office Building Facilities - 2,000,000 square feet of net rentable area;
- Facilities for Retailing, Retail Services and Related Commercial Activities - 430,000 square feet of net rentable area;
- Residential Facilities - 300-400 units;
- Theatre Facilities - 1,500 seats;
- Hotel Facilities - 500-800 rooms;
- Tenant Parking Facilities - 1,500 spaces;
- Commercial Public Parking Facilities - 2,500 spaces.

The Charles Center plan of downtown redevelopment in Baltimore started as private sector initiatives. In 1954 and 1955, the businessmen of Baltimore created two organizations; a group known as the Committee for Downtown, headed by J. Jefferson Miller, Executive Vice President of the Hecht Company, a major department store, and the Greater Baltimore Committee. On the one hand, the Committee for Downtown was initially concerned with the promotion of business in the relatively small downtown area. This Committee was made up of some 400 to 500 businessmen, both large and small including bankers in the CBD. On the other hand, the Greater Baltimore Committee, was a smaller organization limited to 100 of the chief executives of the major commercial and financial institutions in the Baltimore metropolitan region.

Members of these two organizations very early agreed that the downtown decline was every body's problem: it was the problem of the bankers, it was a problem of the parking lot operators, of the retailers as well as the problem of the public officials. It was the first important step, the recognition that the problem is not either public or private sector but both.

Thereafter, the Committee for Downtown and the Grater Baltimore Committee joined forces and agreed on following principles:

- they would draw up a master plan for downtown Baltimore which would incorporate private and public objectives and therefore could be acceptable and adopted by both sides;
- they would finance the plan - put up the money necessary to create central business district plan;

CHARLES CENTER

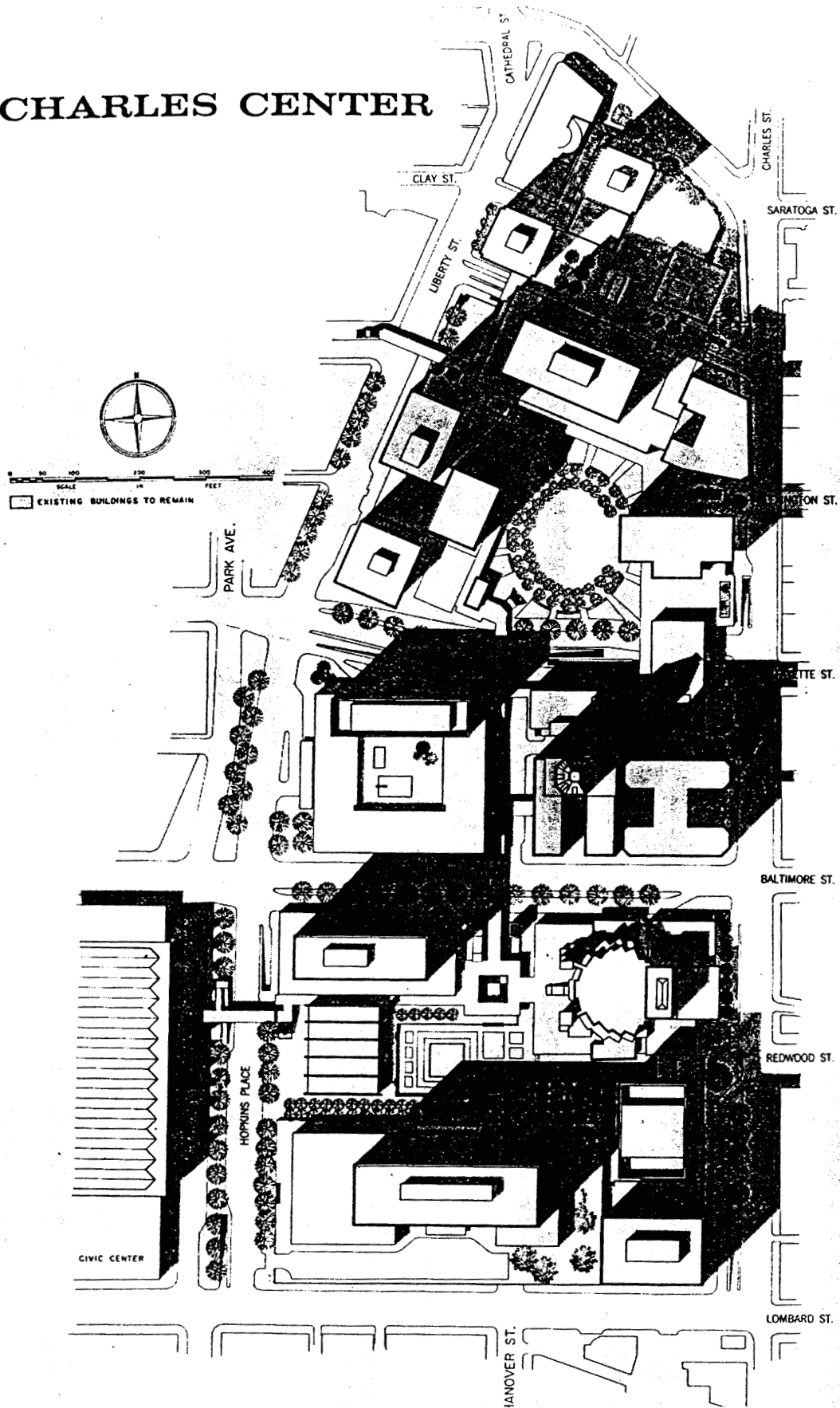


FIGURE 4.1 CHARLES CENTER PLAN

- they should start planning from both possible directions; from the comprehensive point of view - from outside in, as well as planning by the projects - from inside out, looking at the very nature of the business district itself so it could be part of a large scheme and whose results can be cumulative;
- the project should be adequate in size; to be a big and dramatic enough to do an impact for declining downtown and make difference in the city's economy, but small enough to be financially feasible (to be self-supporting with backing by the only city finance capacity, due to the fact that in that point of the time, the federal aid was not available), and to be achievable in a reasonable period of time;
- to be sufficiently large to create an opportunity that would attract new investment, but not so large as to make every developer taking all of the risk;
- it had to reach into a diversified market; it could not rely on only one use, from the market point of view, it had to eliminate deteriorated and deteriorating conditions in downtown as well as to improve the transit and traffic situation;
- they had to learn from other projects which have been taking place over the country, so they sent two men to visit middle-sized cities around the country, to see what they could find out about downtown renewal;
- there should be only one business group representing all others in dealing with the problems of the community redevelopment in the downtown area to achieve an effective cooperation between private and public sector and success of the project (there were aware of the critical circumstances that a single group is needed for the city officials and the public to look for instead of two or three different groups while municipal officials and the public could not tell which group they should support).

After considering all the nature and problems of the CBD the decision had been made to postpone preparation of the master plan and start with a single project, 33 acres Charles Center, which would give the public and private sector a strategy for action, something they could begin happen right away.

As mentioned above, it was a business community who proposed the Charles Center Plan. However, in the same time, there was also a strong political leadership headed by mayor Thomas D'alesandro, who was aware of Baltimore's problems and necessity to take an action. Because, proposed plan was not only good business plan but also politically acceptable, the city jointed the effort of business community and agreed to carry out this idea. The major goals were as following:

- to return people back to the city;

Box 4.1

- to increase the tax base in order to bring revenue from the property tax;
- to increase the intensity of land use in downtown area, to achieve the maximum intensity that the area could support;
- to save the old buildings where it was possible;
- to improve transportation in the CBD.

Urban Renewal Plan

The urban renewal plan is a legal document and the keystone of any urban renewal project. It describes the project in great detail, provides for the zoning changes and the standards and controls that are to be exercised. It sets up disposition lots, authorizes street and utility changes. One of the significant purposes of the urban renewal program is to stimulate private construction as well. The important fact is that it provides authorization for the use of eminent domain in land acquisition.

Source: Sondheim, Walter, Jr., 1964.

The Charles Center concept was presented to the City of Baltimore in the form of a proposal by the Committee for Downtown and the Greater Baltimore Committee in March, 1958. The project plan was adopted by the Baltimore City Council in March of 1959 (for detail see Table 4.1), when the City agreed to undertake the project in the context of the urban renewal plan (see Box 4.1). This was a moment which has been essential to the successful development of Charles Center, which underline establishment of public-private partnership, arrangement which has been created as one of the first in the U.S.A.

Table 4.1: The Charles Center Plan Timetable

April 25, 1957	Contract for preparation of downtown master plan signed by the Committee for Downtown and the Planning Council of the Greater Baltimore Committee, Inc.
January 24, 1958	Downtown declared an Urban Renewal Area by City Council (Ordinance # 1210. This is a procedural step required by local law; it does not authorize any urban renewal activity until a project has been delineated and a plan adopted).
March 27, 1958	Charles Center Plan presented to the Mayor by the Committee for Downtown and the Planning Council; referred by the Mayor to the Baltimore Urban Renewal and Housing Agency (BURHA).
June 14, 1958	Bond issue authorized by special session of the Maryland General Assembly.
July 30, 1958	Report to the Mayor from BURHA, recommending execution of Charles Center.
November 4, 1958	Bond issue approved by the voters of Baltimore City.
March 25, 1959	Urban Renewal Plan for Charles Center adopted by City Council (Ordinance # 1863).
June 1, 1959	Opening of the Charles Center Management Office.

Source: Durden, Dennis, 1964.

4.2 PUBLIC-PRIVATE PARTNERSHIP

The public-private partnership has been established in Baltimore because there were favourable pre-conditions:

- first, an overall sense of impending disaster for downtown;

- second, a strong business community aware of the problems as well as the necessity to take any action;
- third, political leadership headed by Mayor Thomas D'Alesandro, Jr. able to discuss and cooperate with business;
- fourth, federal programs, e.g. urban renewal, which made available public resources (for details see chapter three section 4.1).

The responsibility of partners were different and could be defined as following:

Box 4.2

- the city government had to clearly define the goals of the community; the city had to generate public finance resources, and had to be responsible for land acquisition and site clearance, and for the construction of the parks;
- the business community had to support the goals of the city and to help implement the plan, in other words, the private sector was responsible for the finding developers able and willing to take on the project, for identifying possible tenants for the office building, and for raising from \$90 to \$100 million in private investment funds. Charles center plan required planning, coordination, and contributions of funds from both sectors as it is explained in detail in section four of this chapter.

Role of Developer

For an experienced developer in private development, all of the elements of his projection are under his control, except market. In an urban renewal project, the developer's cost projections are influenced by the actions of the government usually represented by public agency and he is dependent upon the good faith, skill and judgement of other people. Since the developer's job is to make his projections a reality, harmony between the goals of the community and those of the developer are necessary for success. "When, no one can make commitments for a city, when the urban renewal agency does not talk to the city building department, when projects in the overall plan do not move forward, when the business community is apathetic, when momentum is lost and the developer is left with an isolated building in the middle of a slow-moving renewal project, a substantial contingency is required. The developer's business is to be a developer, to secure financing, to build a good building and to rent it. It is the business for the other partners to define the goals of the community, to implement them. When the goals of the city are not clearly defined, when disharmony exist between city administrations and developers, or when the developer has been entrusted with too much responsibility for the welfare of the community, it is difficult and risky."

Source: Weissbourd, Bernard, 1964.

In addition, from project to project there were different developers involved whose responsibilities were following:

- the developers had to understand the goals of the community, to accept the limitations placed upon them in order to relate the projects to the total environment the community was trying to create, and to make the projects a successful business venture (see Box 4.2).

4.3 EXECUTION MANAGEMENT

As mentioned in section one of this chapter, the Charles Center plan was presented to the Mayor and city government and adopted in 1958. At the beginning, the all project activity was carried forward under the authority of the city of Baltimore; specifically, under the Baltimore Urban Renewal and Housing Agency (BURHA). The agency's first task was to analyze the proposed plan with objectives to secure:

- the best possible development;
- the greatest increase in tax return to the city;
- the highest price for the land consistent with the first two objectives.

Through out the process, the Agency recognized that the size and quality of what would be built on the land is more important in the long run in terms of tax returns over years and also in terms of the standard created for surrounding portions of downtown, than a short-term attempt to obtain a slightly higher land price at the point of disposition.

On a one side, beside the support of the BURHA, the critical was to accomplish necessary support from other departments of the city government beside the BURHA due to the fact of necessity to provide some technical assistance to the projects, e.g. the City Law department (see Box 4.3). On the other side, the important role was also considered the consultant work of the Planning Council of the Greater Baltimore Committee as well as the Architectural Review Board.

Box 4.3

Comprehensive Program

Central city development must be considered as part of a comprehensive renewal effort by the community. Only if it is so considered can you avoid a situation in which there are competitive programs under the same agency or under different departments of the city government. In other words, the community effort and effort of the government should be directed towards one big project which is fitting long-term comprehensive strategy, so the capacity - financial and personal, is not de-concentrated and de-focused.

Source: Millsbaugh, Martin, ed., 1964.

The Planning Council was formed in 1956, as a private, non-profit professional planning organization with a permanent staff of planners working outside of government, but dealing continuously with the Baltimore metropolitan community. Council consisted of nine unpaid civic and business leaders, chosen to represent the broader interest of the business community, and a paid staff of highly qualified full-time professionals, or, on occasion, consultants, to carry out the technical planning work. The Council was acting as separate identity as technical consultant for the GBC as well as, under contract, for other civic action groups and governmental bodies.

The Planning Council of the Greater Baltimore Committee had been formed to avoid the limitations of the two most usual sources of planning expertise;

- the municipal planning department, which must operate inside governmental structure and therefore is under influence of various interests;
- the out-of-town consultant, who may draw up the plan, but after that are usually not present during implementation of the plan to adopt realities confronted.

Architectural Review Board consisted of the four outstanding architects very well known and respected. They acted as a jury in the design competition for the buildings as well as professionals, whose task was to oversee architectural and urban design irregularities. These men's opinions and recommendations were acceptable to almost all developers and architects, so many of confrontations had been avoided.

In addition, the Greater Baltimore Committee established also the Development Committee to convince and assure private enterprises that Charles Center was an economically feasible undertaking which offered good opportunity for investment, and to assist the chosen developer in making his project or his building economically successful. It should be mentioned here, that "support of the top business community had have real meaning to them and in many cases had been appreciated" (Bonell, Barbara, 1994, interview).

When the BURHA, (in effect, the city department), came to execute the project, the Charles Center Management Office as a quasi-governmental organization had been established for following reasons:

- the professionals of the BURHA had no experiences with development of the office space which was the major function planned to be developed;
- they were doing their job well, and in the case of additional responsibilities their daily work would impede.

The Charles Center Management Office was leaded by the general manager, Mr. J.J. Miller who was experienced businessman and technically skilled manager, operated under a contract of the City, with unique salary - for \$1 per year. Beside that, the city paid his staff, office expenses, rent, and consultants' services. In fact, there had been five professional employees and four secretaries in addition to the manager.

The Charles Center Management Office had two primary responsibilities;

- coordinating the activities of all the other groups and agencies in the execution of the project;
- representing the Agency and the city in the disposition of project land to suitable developers as well as most of the relocation and site management work.

4.4 FINANCING AND LAND DELIVERY

As mentioned in section two, the resources had been required both from public as well as from the private sources. In that respect, most of the development in Charles Center was privately financed (see Table 4.2). The study which resulted in the Charles Center Plan was paid by the finances which had been raised by the Committee for Downtown - \$150,000, and the Greater Baltimore Committee - \$75,000. Other preliminary costs such as the land acquisition and clearance of the sites had been financed by the city government.

Table 4.2: Public and Private Share in Cumulative Investment

	YEAR	PUBLIC		PRIVATE	
		\$ ¹	%	\$	%
ESTIMATED Charles Center	1958	35	26	100	74
ESTIMATED Charles Center & Inner Harbor	1964	185	47	210	53
ACTUAL Completed or Under Construction	1975	145	60	99	40
ACTUAL Completed or Under Construction	1979	381	60	256	40
ACTUAL Completed or Under Construction	1981	389	47	445	53
ACTUAL Completed or Under Construction	1982	410	43	550	57
ACTUAL Completed or Under Construction	1983	415	39	645	61
ACTUAL Completed or Under Construction	1984	421	27	1115	73

Source: Millspaugh, Martin, 1995.

¹ In Millions of Dollars.

The land was not assembled, but had to be acquired by negotiation or condemnation from more than 200 separate owners. All properties acquired in the Charles Center Project area were purchased by the Real Estate Division of the City of Baltimore, which is part of the Comptroller's Office. Each property was the object of from two to four appraisals before negotiations commenced for its acquisition by the city.

At the end of 1958, the total cost was estimated as \$135 million, including \$25 million from public bond issue for land acquisition (where \$11 million was planned to be recouped from subsequent resale of the land to private developers), and about \$100 million in private development resources. In the beginning of 1960s, the city become eligible for federal grant, the federal contribution of \$25 million which the city would not have to borrow and repay out of future tax revenues came into the budget, Planners estimated that the city would lose roughly a half million dollars in taxes on properties purchased or taken by eminent domain but would ultimately gain more than \$20 million a year in new property tax revenues when the project would be completed.

As mentioned above, to cover the initial project costs which had been consider as an investment of the city - \$25 million, the city government issued a specific bonds (see

Box 4.4

Box 4.4) to create city's renewal fund and finance the project. This willingness to invest first was important for private involvement but also for eligibility for federal aid which was agreed in ration - 3/4 federal share and 1/4 city share.

To support financing as well as the entire project public campaign was carried out, so that the necessary public monies would be voted by the City Council and the General Assembly of Maryland, and ultimately by the voters.

Bond Issue

Issuing bonds to finance public projects are widely used in the USA. It is a formal promise by a borrower to pay to a lender a specified sum of money on a fixed future day and a series of interest payments during the life of the loan with security. The bond issues are based on the projected increase tax revenue from the project in question. They are general obligations of the city and are paid back out of the municipal tax revenue. Although, the city operates under a home rule charter, the state legislature has the power to authorize bond issues. The city must go through a legislative process before a bond issue could be approved by the voters.

Public campaign included intelligent lobbying at City Council and the General Assembly, communicating with and speaking to improvement associations and service clubs and women's clubs and civic groups of all kinds. There had been prepared two colour movies presented at various civic associations and in the school system and available through public libraries. It included television shows and newspaper stories (Sondheim, Walter, Jr., 1994). So, there was a day-to-day effort to convince the general public that it was in their interests to have a successful Charles Center plan (see Box 4.5), and bond issue was approved by the voters in referendum.

In 1975, the Charles Center plan was almost completed as a successful investment and resulted in the decision of public officials to continue and expanded redevelopment into the area closely connected with completed plan.

Box 4.5**4.5 INNER HARBOR REVITALIZATION**

Coupled with the fact that after Federal grants the Charles Center venture was cheaper than it was expected, encouraged the city to undertake the similar program; the revitalization of 240 acres area surrounding historic Inner Harbor. At that time, the Inner Harbor was little more than rundown warehouses, wholesale produce markets, railroad yards with foul water in Bay (see Figure 4.2). The plan for the Inner Harbor was produced by the Greater Baltimore Committee in 1964. 30 years program for redevelopment was accepted by the city in 1965.

Presentation of the Plan

The public presentation of the project was designed almost as carefully as the project itself. The presentation consisted of a large, full-colour brochure and a scale model designed to be seen by thousands. The brochure was design to be large enough to fit in a filing cabinet, but the right size to carry under one arm. The theory was that anyone who had brochure could not put it away, but would have to leave it out on an office table, or standing up against a wall where it could be seen by everyone passing by. A speakers' committee was organized to present the plan to any group which would issue an invitation, or admit a downtown booster to make a talk about the plan. The pressure of the promotion campaign was maintained from the time of the presentation to the Mayor until the election concerning the bond issue.

Source: Sondheim, Walter, 1964.



FIGURE 4.2 INNER HARBOR BEFORE REVITALIZATION

A first critical step in the revitalization plan was to recapture the water as a public amenity by returning all the property around the shoreline to public ownership, creating permanent circle of parkland. Several years were spent obtaining Federal grants and undertaking basic works, such as the clearance of the site and the rebuilding of harbours walls (Christopher, Law M., 1988). After that, an aggressive program of activities, markets, festivals and free entertainments were organized, by strong support by mayor Donald Schaefer to encourage people from Baltimore as well as from suburbs to spend time and money there.

While the Inner Harbor was originally intended to be a playground for Baltimoreans, the potential for office development occurred to be seen, and it was one of the main stimulus behind the private sector's decision to invest in the Inner Harbor area (Wreen, Douglas M., et al, 1983).

Anyhow, it took much longer than in Charles Center, till first significant private capital has been invested. It should be mentioned, that in mid-1960s, both public attitudes and general economic conditions had changed. Such kind of investments as Inner Harbor project were considered more risky and required substantial preliminary public investment to attract private funding. In Charles Center renewal, business leadership had carried the initiative, but for the Inner Harbor the public leadership had to assume major responsibility for. Charles Center had been implemented as a self-contained project with clear boundaries and good prospects for financial success. Inner Harbor was a broad effort to change the overall climate for living and working in Baltimore. So, public-private partnership arrangements were based on different circumstances and impact variables that influenced outcomes. These differences were important because they affected public policies, spending, and investment of the private entrepreneurs.

4.6 MANAGEMENT

The city contracted with Charles Center/Inner Harbor Management Corporation to manage the mechanics of the development process. The organization was established by the city as a quasi-public organization at the end of the 1960's. In fact, the organization had been transformed from Charles Center Management Office when Inner Harbor project become in question (see Table 4.2). The organization's main tasks were to manage land acquisition, site preparation, construction, and package-development deals.

Charles Center/Inner Harbor Management Corporation provided city with skills and experience needed for large commercial developments but not normally found in the civil service ranks. It operated within a framework established by the mayor and the Department of Housing and Community Development. Unlike a city agency which has a permanent function, the organization provided a specialized service to the city on a contractual basis. The city advanced the corporation money on a monthly basis, through which the corporation paid its own expenses.

The total costs to the city to finance the management of Inner Harbor Program have been less than 2% of the total public funds involved. Each of the functions of the corporation was subject to some form of city approval. They had to submit a yearly budget for their operations, but they had more freedom in the administration of those funds, once they have been approved.

Charles Center Inner Harbor Management, Inc., was a non-profit, no-stock corporation which entered into a contract with the city to manage the Inner Harbor plan. The corporation maintained the flexibility of a private business, while the city which provided the corporation's operating funds retained complete control over the policy, and therefore, preserved its responsibility for the use of public powers. In other words, the corporation made possible for the city to act like a business when it was only way to get the job done. The corporation has four primary functions:

- to coordinate; to deal with different agencies involved into revitalization of the Inner Harbor, which helped to harmonize public sector plans as well as to delivery their plans according with their development timetable;
- to supervise; to act as a single owner-type entity behave the city in dealing with developer, to coordinate the design and construction, to guide public improvements;
- to recruit; to deal with developers who could or would be involve, to negotiate agreements, to assure obligations of both the developer and the city;
- to delivery; to act as an intermediary between developer and government, or even to represent the developer in dealing with the city in the case of contrary ideas between the city and developer.

During the history of redevelopment process in Baltimore, there have been established or transformed from one to another several different quasi-governmental, non-profit development organizations in respond to the major projects in question in certain period of the time. Table 4.3 shows the years of establishment and organizations' origin.

Table 4.3: Charles Center/Inner Harbor Development Corporations Involved

1959	Charles Center Management Office (Charles Center Plan area)
1969	Charles Center/Inner Harbor Management Corporation (Charles Center Plan and Inner Harbor Plan area)
1976	Baltimore Economic Development Corporation (development outside downtown)
1982	Market Center Development Corporation (revitalization of the retail area)
1989	Center City Inner Harbor Development Corporation (united Charles Center/Inner Harbor Management + Market Center Development Corporation)
1991	Baltimore Development Corporation (united Center City Inner Harbor Development + Baltimore Economic Development Corporation)

4.7 FINANCING

The Inner Harbor projects added residential, social and cultural facilities as well as major hotel and office building to the centre of the city. The project covers a much large area than Charles center, extending west and south around the harbor and north and east to include the city hall area. While, the Charles Center is organized around three self-contained plazas, Inner Harbor circle the waterfront and the neighbourhoods that surround it such as Federal hill, and others. The plan which was developed considered three important land use:

- tourist related development;
- offices;
- housing.

The Inner Harbor plan includes development of Harborplace, the Convention Center, the Maryland Science Museum, the National Aquarium, the World Trade Center. Commercial facilities include the U.S.Fidelity and Guarantee Building, offices of IBM Corporation, and Hyatt hotel. There are also substantial areas of rehabilitated housing in adjacent neighbourhoods, parking facilities, and high-rise housing.

The city's capital investment has been paid out of ten local bond issue approved by voters and appropriated for the realization of individual projects. To acquire, to clear, and prepare the land for new development, \$210 million of private and institutional investment, and \$55 million of public funds were spent. The total plan was expected to cost \$270 million over thirty years, including \$180 million in federal funds, \$58 million in city resources, and \$22 million in private investments.

By 1982, residential development included 250 luxury townhouses, 487 subsidized apartment units for the elderly, and a 220 bed nursing home.

During this period, there were not exclusively waterfront activities focus on. Baltimore

Box 4.6

Baltimore's Inner Harbor Project Chronology

1962	Mayor calls for Inner Harbor Study
1964	Inner Harbor plan by Greater Baltimore Committee
1965	Charles Center/InnerHarbor Management, Inc. formed to administer both projects
1968	Acquisition and clearance of site began following receipt of Federal Grant
1972	USF Constellation (warship built 1797) moved to permanent mooring in harbor
1972	John L. Denton Medical Center agreed, first phase of Lutheran Church complex for elderly
1973	United States Fidelity and Guarantee Company's Office Building - 42,759 m2
1973	City Fair moved to Inner Harbor
1975	Joseph H. Rash Memorial Park, sports complex
1976	Maryland Science Center, museum
1977	C & P Telephone Building - 26,950 m2
1977	World Trade Center, 32 storey pentagonal office block with high viewing point - 27,880 m2
1978	Marina
1979	Convention Center - 102,230 m2 exhibition space
1980	Harborplace, a festival market place - 13,200 m2
1980	Equitable Bank Building - 33,450 m2
1981	National Aquarium
1981	Hyatt Regency Hotel - 500 rooms
1984	Holiday Inn - 374 rooms
1984	Days Inn - 256 rooms
1985	Six Flags, entertainment Center in old power station
1985	Baltimore Marriot Hotel - 360 rooms
1985	Sheraton Hotel - 350 rooms
1985	Festival Hall annex to Convention Center
1986	Harborcourt, hotel, offices, and apartments
1987	The Gallery, retail, offices, hotel

Source: Christopher, Law M., 1988.

also expressed effort to rehabilitate housing, including a programme of 'homesteading', in which the city sold more than 100 derelict properties for one dollar to home owners who agreed to live in and restore them in accordance with overall project standards and within two years. This has a parallel in a programme for retail premises known as 'shopsteading'. Therefore, waterfront revitalization was a dimension of an extensive attack on urban decline.

As mentioned in section 4.5, 30 years redevelopment plan was approved from which the first stage has been defined approximately 95 acres of land surrounding the harbor waterfront (see Box 4.6 and Figure 4.3). There were four projects, completed between 1977 and 1981, which helped elevate the Inner Harbor from a regional playground to a national tourist destination. First was the \$40 million Convention Center in 1979, with 110,000 square feet of exhibit area and an almost equal of meeting and lobby space. Next, was Harborplace, a pair of two story market pavilions completed in 1980, the keystone of the circle of attractions around the shoreline. The next component was the Aquarium, a totally city funded project of \$21 million, opened in the summer of 1981, which has been designated by Congress as the National Aquarium in Baltimore. The final component was the Hyatt Regency Baltimore Hotel, which opened in October 1981 and cost \$ 40 million. including land and garages.

The revitalization of the city's waterfront has greatly enlarged Baltimore's role as a tourist center and, for the first time, put it in the top league of the U.S.A. cities and Inner Harbor become a national model of public-private waterfront revitalization program (see Figure 4.4). The number of summer visitors to Baltimore's central area from outside the city increased from 2.25 million in 1980, to 6.8 million in 1984 and 7.5 million in 1986. Moreover, their expenditure rose even more rapidly: "from \$125 million in 1980, to \$400 million in 1984 and to \$650 million in 1986. In labour market terms, the total number of the jobs estimated to have been created by tourism rose from 16,000 in 1981 to 20,000 in 1984." (Christopher, Law M., 1988, p.156).

For Baltimore waterfront revitalization, essential has been market forces. However, the public investment, whether provided by the City, State or Federal Governments, has played a critical role in the redevelopment process. "Funds were necessary to undertake the basic infrastructure works, including clearing the piers and warehouses and improving the waterfront." (Christopher, Law M., 1988, p.156). There were also necessary for the 'economic generators' such as the Convention Center, aquarium and Science Museum.

Until about 1980 it was difficult to attract private investment. For instance, the Hyatt Regency Hotel, opened in 1981, required a \$10 million Urban Development Action Grant. However, once a critical threshold level was reached and the success of the project was perceived, then private investment poured in. This is evidenced by an abrupt change in the public-private investment ratio (see Table 4.2).

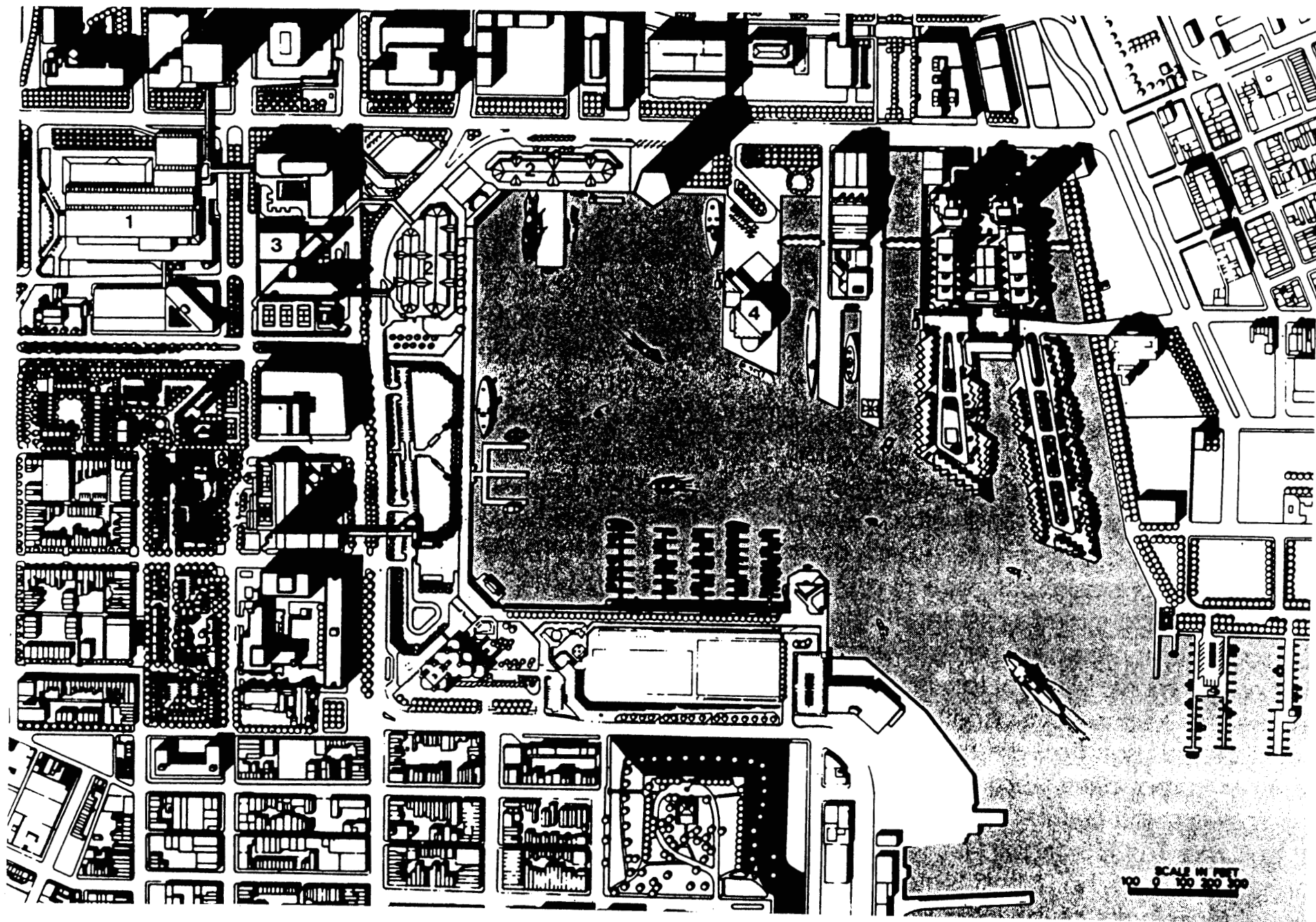


FIGURE 4.3 INNER HARBOR PLAN

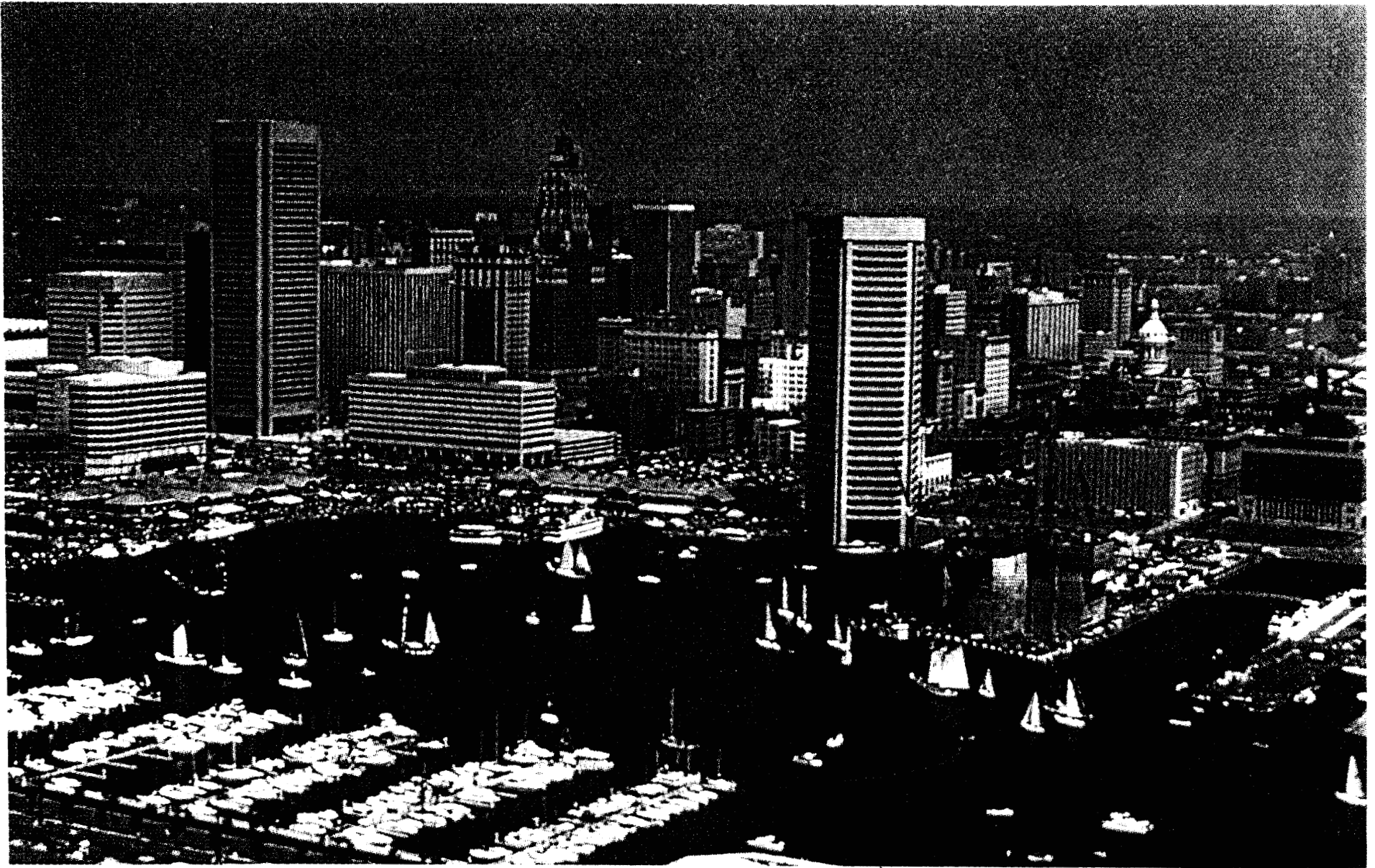


FIGURE 4.4 INNER HARBOR AFTER REVITALIZATION

4.8 EVOLUTION IN BALTIMORE TODAY

The Charles Center and Inner Harbor revitalization were first and largest efforts in Baltimore to turn down physical and economic decline.

After these efforts have been successfully completed at the end of 1980s, the necessity of formulating 'New Era' for Baltimore future appeared. As an initiative of Mayor Kurt L. Schmoke the strategy for future development of downtown Baltimore has been initiated in 1991. The vision of downtown in the year 2010 is driven by city officials' confidence about their ability to focus investments that will generate new markets and create the impetus necessary to endow Downtown's future as the business center of the region and the state. To assure that, the aim was to incorporate as many people as possible into the process to draw as many as possible new ideas. Community groups have been contacted to participate in the preparation. To hold a continuity, the Greater Baltimore Committee was appointed to organize and finalize the work on the strategy.

The strategy is based on the three growth scenarios presented by the Technical advisory Committee on Market Assessment - Base Line, Opportunity and Big Bang. Opportunity is the one promoting a healthy impulse of positive growth while also setting the stage for Big Bang achievements. The expectations of downtown growth over the next 20 years are: "12 million square feet of new offices, 1 million square feet of retail, 2,700 new hotel rooms, 4,000 new residential units and 4.2 million new visitors to downtown" (Sondheim, Walter, Jr., et al., 1991, p.7).

The strategy shaping the downtown into six new districts (see Figure 4.5) with independent character which provides the basis for economic intervention and urban design. Each districts has its own strategy derived which include statements about design character as well as economic character.

The strategy for downtown development is oriented to use downtown's new six districts as the new platforms of market opportunities, to help private sector to invest easily, and use public investment as the driving incentives to achieve desired development. In the following strategies, the categories of development; commercial, institutional and office; entertainment, attractions and hotel; retail; and residential have been organized around the economic missions for Downtown. For instance residential strategy says: "Explore a policy of public financial support in the form of land cost writedowns, tax breaks and subsidized parking for the development of economically feasible market rate residential units" (Sondheim, Walter, Jr., et al., 1991, p.19).

The economic mission for Downtown 2010 is articulated in a five-part strategy:

- focus on several Downtown institutions of education and research as the foundation of Maryland's future in health, medical and marine bio-tech industries;

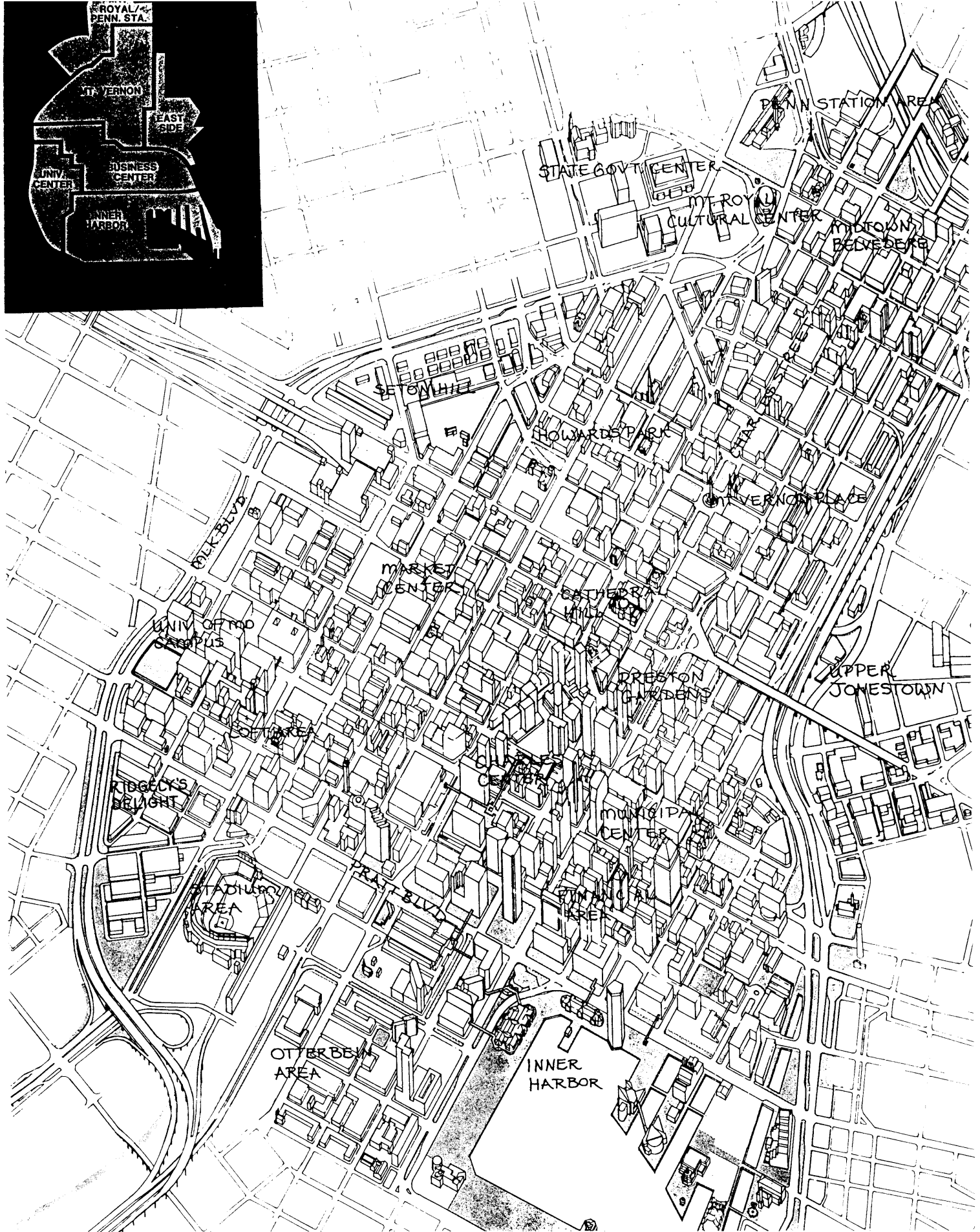
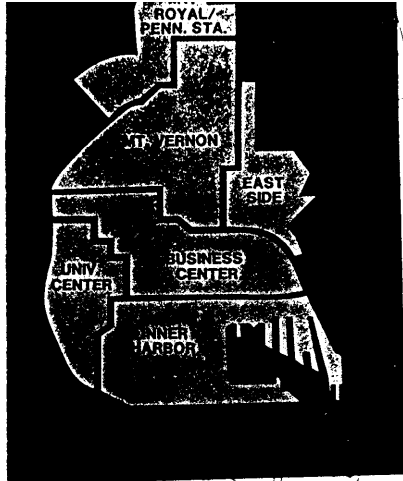


FIGURE 4.5 STRATEGY FOR DOWNTOWN BALTIMORE

- capitalize on Downtown's resources as the hub for transportation, trade, law and finance;
- take advantage of Baltimore's affordability and proximity to the global political reach of Washington, D.C;
- make Downtown's vitality, attractions, meeting facilities and varied cultures build tourism;
- foster international business by offering new high-tech products and luring multi-national firms to establish regional offices in Baltimore.

The economic mission is followed by definition of the overall strategy principals for Downtown as following:

- strategically target public and private incentives to stimulate development in five economic missions;
- steer development towards specific districts according to the district's urban design character and economic mission;
- create a coordinated marketing effort to promote development of Downtown's economic missions; focus the promotion of Urban Tourism, International Business into commercial product advancements from the Medical/Marine Bio-technology fields into a single marketing effort.

The Baltimore experience says, "take initiative, create opportunities, build on existing strengths and work in partnership." (Sondheim, Walter, Jr., et al., 1991, p.61). Baltimore's history recognized a municipal role in shaping economic markets, not merely responding to the plans. Over the past three decades, public risk and capital, were the early inputs that only later produced the fuller growth of private investment.

4.9 CRITICAL REVIEW

Public-private partnership have become an increasingly important force shaping the politics and economics of the United States cities as it is a case of Baltimore that, in detail, is described in foregoing sections of this chapter. Nevertheless, the criticism arose pointing that "traditional public-private partnership approach has done little to improve living conditions for the majority of urban dwellers and, in fact, has exacerbated inequality and urban dualism" (Levine, Marc V., 1978, p.25). The main arguments are as following:

- downtown centres are based on advanced services and tourism, which is causing the jobs mismatch, so, poverty rates rose and neighbourhoods deteriorated. Over 60% of the "good" jobs created by downtown revitalization (those paying \$25,000 a year) have gone to suburban commuters (studies of Boston, Baltimore, New York and Cleveland), (Squires, Gregory D., ed., 1978, p.26);

- the public private redevelopment process helped promote policies that favour developers and the wealthy at the expense of the majority of city residents;
- concentrating decision-making in quasi-public entities emphasized deal-making and profit opportunities, rather than systematic planning of creating a good jobs and meeting pressing neighborhood needs.

During focusing on the downtown redevelopment in Baltimore, other areas of the city were started deteriorated especially inner city housing neighbourhoods. These areas right in the middle of the city are occupied mainly by the low income families. This is a typical for the American cities where middle and higher income families are continuously leaving the cities and live in the suburbs. Due to this fact, Baltimore city started losing population in the 1950s (see Table 2.5). This trend to leave the city was heavily supported by the government policy which built new highways which made easy to commute. Also it was supported by the cheap land in suburbs, the policy in the counties not to allow public housing, better schools, less crime. Although a lot was changed in the city during redevelopment of downtown, it could not significantly stop this trend.

Nevertheless, to redevelop downtown was the first step to upgrade, to revitalize city's economy, physical fabric as well as its traditional spirit. There were only two options; to lose the city center, so Baltimore would become conglomeration of the living neighbourhoods just like it is in the suburbs. Or, to start recreate the center with its unique activities and strongly believe into a 'trickle-down' effect. Thus, in the process of urban revitalization, right equilibrium is needed.

The principal of coexistence should be applied here to keep balance in other words the right inducement should be found for wealthy areas to be supportive and helpful to poorer neighbourhoods which usually are not able to upgrade themselves. The developers are not willing to invest in these areas, the banks are not willing to lend a money for investment in such areas. These areas are too risky as well as too expensive upon their business considerations. Such areas calling for public attention but not everything can happen in the same time. Because of that, community organizing arose. Their main role is to help target public policy to the specific community needs as well as to involve inhabitants into the upgrading process, emotionally, physically as well as financially.

The positive forces, which arose from critical comments, brought new ideas and trends in shaping public policy, where could be recognized three important trends as following:

- strategic and democratic planning of economic development in other words bottom-up approach in city planning, wider encouragement of public participation, funding for development of neighborhood organizations to engage in strategic planning and delivery development services, public workshops on city resources allocation, and increased public access to information necessary

for informed decision-making (e.g. Baltimore's process of preparation the strategy for Downtown 2010);

- linkage policies which include requirement for developers to contribute to special funds to meet community needs in such areas as housing, job training, public transportation, and child care (e.g. the city of San Francisco);
- community economic development supported through community development corporations which are involved in rehabilitating housing, starting small business, or offering skills training.

CHAPTER FIVE

LESSONS LEARNED AND RECOMMENDATIONS

Baltimore redevelopment provides learning experience concerning the shifts in cooperation between public and private sectors over a period of more than thirty years. Due to the fact, that redevelopment in urban areas is a complex process it is regarding long time to achieve expected results. Because Baltimore is one of the first cities in the United States which applied new approach into the downtown redevelopment, Charles Center and Inner Harbor projects are unique experience and opportunity to examine how the priorities in public policy have been developed and changed over the years.

The major shifts were in focus on roles and funding between the cooperating public and private partners. It has been developed from assistance to direct cooperative planning and action. Charles Center as the first venture was undertaken on private initiative. The initial investment came from public sector both from federal and local government. From federal government in the form of grant under urban renewal programs. The city took initiation to generate finance by issuing bonds. After financing assembling of the land, clearance, and basic infrastructure, the land was sold to private business below the costs. The ratio of total finance spend was 60% public and 40 % private sector at the point when the Charles Center was executed in 1974 (see Table 4.3). The individual buildings were built largely with private capital. The individual projects represented relatively low risk commercial investments that required planning and coordination but no additional public investment for financial success. It was also due to the strong support of leading business group which strongly supported the individual projects in the private business community.

The Inner Harbor has been chiefly an initiative of the public sector, requiring considerable federal and local government financing. Its scale is much larger, and the kinds of individual projects involved, entail much higher risk investment that often required special tax breaks, direct public investment and incentives. The best example is the Harborplace (see Figure 5.1), which has been developed by the Rouse Company which become one of the leading developer in the United States after being involved in the several similar projects throughout the country.

The project is based on distinctive architecture and innovative linkage of entertainment and retailing and has been designed with active involvement of the Charles Center/Inner Harbor Management Corporation, Department of Housing and Community Development, and a Mayor's Design Advisory Group, which was put together specifically for citizen involvement in the design process.

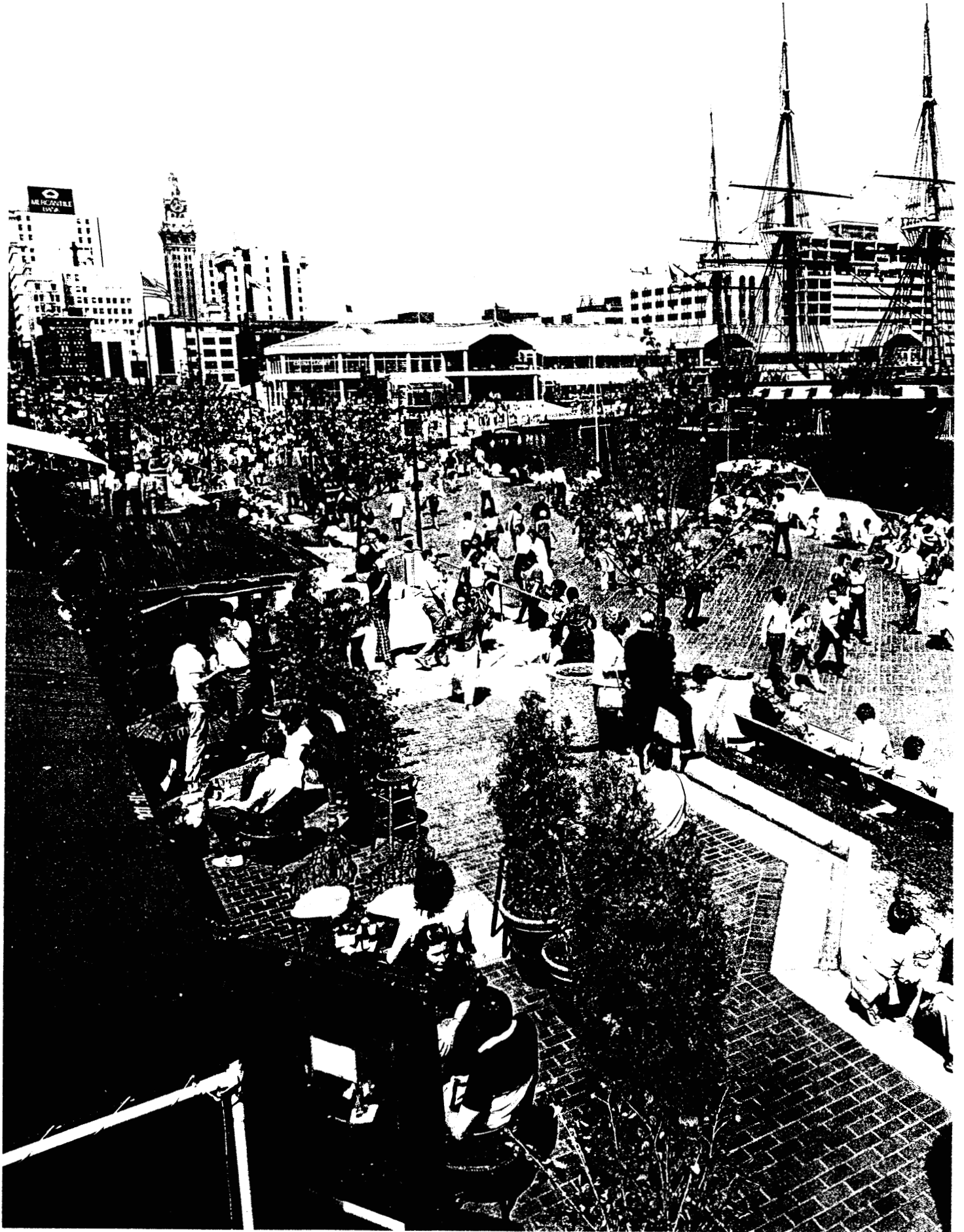


FIGURE 5.1 HARBORPLACE

The Rouse Company encouraged city officials commitment to become directly involved as entrepreneurs and partners in the redevelopment process. While the Company and the project were benefiting from political and financial support of the city, surrounding public amenities, availability of parking, and after execution of the project, from free provision of the services such as cleaning and police protection, the city receive full property taxes, portion on the sale and income taxes, parking revenues, land rent which escalate over the time plus 25 percent of the net cash flow after debt service. The city's benefit is also in creation over 2,500 jobs and building people oriented attraction. In addition, the Harborplace worked as catalyst and brought stimulative spin-off effect into Inner Harbor revitalization.

Today, the total public and private investment in downtown become reverse and is estimated as ratio - 10% public and 90% private (M. Millspaugh, 1995, interview). The principles of cooperative planning and action which have been established in Baltimore has made long-term development efforts successful in a way that has been rare in other cities.

5.1 PARTNERSHIP AS A JOINT ENERGY

As mention in chapter four section one, when the first time idea to revitalize downtown appeared during 1950s, Baltimore was in very bad economic condition. This situation become driving force which helped to mobilize human and financial capacity in private as well as public sector. This is the situation which no one city would like to experience though later the result is successful redevelopment as it happened in Baltimore. The overall impediment of disaster was the critical precondition. Baltimore was in such situation that no one believed that is possible to turn it back. The redevelopment of downtown become the priority number one. Without attracting business to stay in the city or to stimulate new ones the city will continue to deteriorate. In other words, the necessity was to bring the job opportunity to the city, and to bring the revenue for the public sector from the property tax as well as from the retail activities. Not neglected as a driving force is a systematic work and energy of the strong individuals behind all the process. The crucial steps which played important role in forming partnership are selected as following:

- establishment of the strong private organization Greater Baltimore Committee clearly recognizable for the public officials as well as for citizens as one who to support, supplying consultancy for the public sector, providing professional skills which public sector had no experience with, lobbying and supporting the project inside the private community;
- design of the original plan as politically acceptable. "It was not only good master plan and business plan but also it was design in manner that anything that public officials could achieve would make them popular" (M. Millspaugh, 1995, interview);
- strong leadership on the both sides. The leadership as willingness to take an

action, to step in and take responsibility for solving a problem or overcoming an obstacle was the key to success in both the public and the private sectors in Baltimore case.

- prioritization, concentration of financial resources and human capacity into this one prior objective to redevelop downtown. In other words, going to meet in solving the problems, to attract private business and investment from the public side and to attract the public involvement and funding from the private side;
- choosing elite team of designers, architects, developers;
- the willingness to work together, building the trust as one of the key preconditions of the successful cooperation and partnership;
- structure of the political power of the local government and in the same time pro-development, action oriented mayors.

In Baltimore, is traditionally a strong mayoral system, a mayor has the power of veto over legislative acts, has the appointive power, has the direction and control of the entire executive department, and control over the budget process. At the stage at which the plan is adopted, strong political leadership is needed. In addition to having a strong mayoral system, the mayor has to be strongly committed not only to the project, but also to the manner in which the project is to be executed. It has high importance during implementation long-term plan such as urban renewal to avoid changing the policy when government or mayor are changed after their election term.

In Slovakia, the local government decisiveness is causing discussion especially in the city such as Bratislava. As explained in chapter two section three, in Bratislava, the City Council which consists of 80 councillors representing the city districts, has in fact the major decisive power although by the law the power is balanced between Mayor and City Council. Every decision related to land or property is discussed by the whole City Council. Apart of that, there are also City Councils of the city districts who might like to be involve in discussion. Decisions are delayed, frequently appeared a lack of giving appropriate time to all related aspects, costs as well as benefits of the proposals. Due to the high decentralization of the political power, disintegration of administrative structure, and lack of clear division of responsibilities, large or complicated development projects such as Charles Center could be in real difficulties, from the planning stage forward. In such situation, pre-negotiations with the private developer are infeasible. Therefore, needs for legal body with authority to implement the project and simplify the administrative obstacles are essential here.

Besides preconditions, specified above, there were two important elements which local government needed to provide to encourage redevelopment and partnership in Baltimore;

- First, the power of eminent domain.
- Second, the working capital.

The power of eminent domain as compulsory acquisition of the property to carry out a urban renewal plans was legalized and granted to the cities in the U.S.A. first time only in the beginning of 1950s. The power of eminent domain could be applied only by the city after adaption of the plan by the legislature, in this case by the mayor and the city council. This is relatively quick and, sometimes, only possible way to redevelop area in the centre of the city where the land is usually divided into a number of the small plots with many different owners. Eminent domain is giving public sector power to acquire the property so in fact to implement the project and in the same time is granted to owner the fair value that its property is worth. If this cannot be agreed by negotiation between local government and owner the decision related to the value of the property is in the hand of the court. (During execution of the Charles Center plan, it happened only twice).

In Slovakia, the economic and urban development is responsibility of the cities as it is the case in the United States. But, the actual carry out of the plan cannot be done by the city or at least is difficult, due to the fact, that the state authority has power to approve building permits. Also power of eminent domain is in question in relation of definition of the public interest. It seems to be clear that the urban renewal is impossible without it. Only one level of the government has to have both powers which was illustrated above - the power of eminent domain in the case of urban renewal or economic upgrading programs, and power in fact implement the plan and utilize city interest by issuing the building permits.

5.2 FINANCE

Second element which public sector provided in the Baltimore was the working capital. The redevelopment process by its nature demanding significantly more financial capital then traditional development being happened on undeveloped land outside the cities. In the center of the city the costs to build infrastructure and to acquire land is much higher then the value of the plots. No developers (or very few) can come into the inner city and to be able to afford constructing all new streets, and public utilities which are required when land is redeveloped. The initial capital as an investment had to be available before anything could happened. It is risky, but, because the city was desperate, the city was willing to take that risk.

When Charles Center plan was in question in Baltimore, the local authority decided to generate finance resource by issuing bonds which in fact became to the debt of the city guaranteed by the income from the property tax. The property tax is the significant and major source of the revenues for the cities, and generally it is approximately over 50% of own source municipal revenue. Therefore for the local governments in the United States one of the main incentives behind urban redevelopment is the tax revenue.

During execution of the plan, the value of the buildings constructed started increased as well as the value of the lots which city was per-partes selling. The first plots were sold below costs but, some of the last ones had been sold ten times as much they cost. Considering facts, it is obvious that direct public financial capital and subsidies of all kinds were essential here. Public subsidies are justified by the projects' spill-over effects; the stability they will give to real estate values and the tax base in the area and their inducement to subsequent private investment in housing, retail facilities, and job growth.

Besides direct grants or property, the local government has in disposal range of different methods as is discussed in chapter three. In Baltimore, there were used several of them such as flexible financing for closing the "gap" between the developer's equity and mortgage and the actual total project costs, public improvements, land leases, or profit sharing as it was the case of Hyatt Regency Hotel project. So, in Baltimore, partnership was developed from 'public assistance' (land assembling at the beginning of the Charles Center plan), through 'working together' (planning, management) and 'delivery' where essential role were played by the flexible non-profit management organizations, up to 'deal-making', where public sector become entrepreneur and begin to share the profit beside other benefits.

In regard of Bratislava's situation, which is described in chapter two section six, the city owns relatively big amount of the real estate property. It is tend to be seen as the burden to the city as well as a immediate source of the revenue to fill gap in the municipal budget. While other western or american cities have to face difficulties with legal acquisition and high costly purchases of the land suitable for development purposes, Bratislava's officials should see the city's property as the asset which gives the city an advantage in reduction of the initial cost of development plans and could significantly attract private business if it will be properly managed. It is even more important to utilize the city's property carefully when the other direct financial sources and support such as grants, subsidies or loans with lower interest rate are presently not available.

In Slovakia, there should be identified other potential non-financial assets such as well managed information, unique location, good access to proximate well known attractions and urban centres (Vienna, Budapest, Prague) in order to attract private business and develop cooperation with it.

5.3 MANAGEMENT AND DELIVERY

In Baltimore case, delivery stage in redevelopment process was very important one. Local government together with Greater Baltimore Committee decided to implement and managed redevelopment by selection of alternative organizational structure. Establishment of Charles Center/Inner Harbor Management Corporation as a non-profit development corporation was important decision for the success of the plan.

This organization had origin in the Charles Center Management Office. During 30 years period of redevelopment in Baltimore, several quasi-governmental organizations have been established to execute different projects as it is shown in Table 4.2. Significant reasons in favour of non-public, non-private organizations are as following:

- elimination of standard reduction of the public agencies' primary jobs which could happened in the case when they would try to manage project in addition without experience;
- availability of the professional skills and experience usually required for large commercial developments that are not normally found among civil service employees;
- elimination of the overlapping governmental multiple jurisdiction. In many cases, the most difficult problems result from the complicated and fragmented institutional framework guiding redevelopment process;
- establishment of forum for cooperation between public and private in one management organization which coordinate many previously dispersed local government functions;
- evidence of high performance of the organization install the confidence and trust between local officials and private sector ensuring cooperation of local business;
- ability to keep project on schedule as well as construction expenditures while functioning as a intermediary between city officials and private contractors.

Charles Center/Inner Harbor Management Corporation and its followers have proven to be a key ingredient in the successful redevelopment of downtown Baltimore city. The corporation provide a mechanism through which the business community can become involved in the implementation of the projects. In fact, the corporation's unique arrangement enabled it to play third-party role in public-private partnership, the role in negotiations between local officials and private developers. While negotiating the differences in goals and policies, the project continued to be managed with a minimum of confusions, conflicts, or delays. It has been fundamental to the corporation's success in attracting developers and enabling them to achieve the city's objectives. By creating a flexible organization that operate separately from the city development agencies but under the policy direction of local government, quasi-governmental development corporation can respond to the special interests of local government, the private sector, and community groups more easily and efficiently than can a traditional department of local government.

In Bratislava, establishment of such organization which should have authorities described above will be very helpful due to the high degree of decentralization of local government and lack of experience with development skills and implementation of the projects.

5.4 MARKETING AND PROMOTION

The fascinating experience was to observe promotion and marketing of the cities and their plans in really business manner in Baltimore. The Charles Center and Inner Harbor plans were not exceptions. Promotion is strongly product oriented whether the product are bonds or events at the Inner Harbor to attract visitors to come there.

Marketing of the city's programmes and projects is focused on stressing the value of its amenities and pointing preparation, the continuity of development, and successful ending of the construction. Evaluation with highlighting positive aspects and social and economic benefits is appearing frequently. As a project progresses, promotion continues to focus underlying major events such as opening of various components and stages of the project. In this respect, promoting the various uses in the project is increasingly emphasized. Marketing is focused not only to the general public but also is directed to specific business who might be moving such as firms and major corporations. The process of marketing and promotion or in other words publicly exposed campaign is usually broken down into a six categories of activities as it is documented on Charles Center plan (see chapter four, section four):

- media; television shows and newspapers stories; the best advertising is the third part perspective;
- public relations, professionalism and consistent approach are the key elements here;
- printed materials, colour graphics and brochures. An important consideration is consistency; the image must not be changed in midstream;
- scale models which are helping to visualize the completed project;
- the audiovisual presentation to social and institutional groups and organizations of all kind. Moves and videos available in the school system and through public libraries;
- speakers' committees, public hearings, personal and institutional lobbying.

Campaign for the Charles Center plan was designed very carefully, using all tools described above. The strategy was to assure that any person young or old in Baltimore would hear about the plan at least three times before the plan would be questioned for public opinion in referendum. In United States public sector learned about necessity to compete with other sectors for attention and succour from the general public as well as from inputs and support from the business which is valuable lesson for public officials in Bratislava.

5.5 RECOMMENDATIONS

This section recommends changes necessary to achieve higher level of government performance in Bratislava which are derived from Baltimore's experience while considering the local conditions in Bratislava, Slovakia as following:

5.5.1 Cooperation with Private Sector

To develop partnership with the private sector it requires first of all changes in attitude in the governmental bureaucracy and political representatives. Ability to cooperate between principally different sectors - public and private, is based on understanding motivations and nature of partners involved, mutual respect, and willingness to achieve consensus and agreement. In today world when globalization of economy is in place, when competition for private investment among countries is very strong, to attract private sector involvement became more and more difficult. It is very important to understand that the private sector will come only when government will create conditions for it. Especially, international business has a lot of other place where to invest. While focusing on international business which today are probably only entities able to invest larger finance into the urban redevelopment in Slovak conditions, simultaneously, should be put stress on support and development of the local businesses which in a long run will have more motivations to invest in the local areas. In that respect, local government of Bratislava should analyze and change its behaviour and strategic methods suggested as following:

- Positive approach and solution oriented decision-making.
- Lead of the public officials to more positive relations to private sector and non-governmental entities.
- Trust and confidence among the actors dealing with urban problems.
- Support the strong public leadership as well as the looking for the good relation with the top leaders in private sector.
- Increased entrepreneurial behaviour in sense of flexibility, looking for innovative methods, and willingness to take action. This should be always underline with objective to satisfied social needs of community as well as its priorities.
- Flexibility in modification according to changed requirements. In other words, if there is no demand, or if existing development standards discourage potential developers, local government should be prepared to seriously considered changes to its development plans.
- Promote strategic planning with long term objectives rather than orientation to extensive policy oriented to short term income.
- Identification of priorities, one project focus.
- Intentional support of local business firms.
- Systematic approach to economic development planning; need assessment, a market evaluation, an assessment of the consequences of development policy, plan formulation, plan review na updating.

5.5.2 Finance

In a situation, when decentralization of the government is in the place, and in the same time, reduction of the state financial support such as grants or subsidies, so, the cities are left on their own with primary responsibility over the urban and economic

development as it is a case of America today, as well as of Slovakia, cities should carefully managed their assets, initiate effective and creative resource generation and to be alert in their spending. As it was learned from America's experience, the property tax revenue is the most important source of the municipal income, over 50% of the revenue budget. In order to increase capability to generate financial resources which are critically important in the form of the initial capital in the redevelopment projects and one of the most motivations behind private business involvement in cooperation with the private sector, local government officials in Bratislava should promote creativity in utilizing scarce finance resources and available real estate assets. They should to increase flexibility, innovative financial methods to be able to responde to the changing market economy environment. They should focus on following suggestions:

- Focus on the long-term tax base rather then the short-term income e.g. from the sale of municipal properties in other words public wealth.
- Focus on effective tax collection and its redistribution.
- Accelerate adequate property tax appraisals and property valuation.
- Accelerate control techniques on property tax return.
- Prioritization and concentration of public expenditure.
- Utilize differentiated methods to supplement lack of cash finance, e.g. land banking.
- Inducing demand by public affairs programs or favourable financing of public services.
- Utilize incentives such as public improvements.
- Flexible approach to land regulations, e.g. performance zoning or development agreements.
- Identification of non-financial assets, use of existing potential such as location in particular region and their precise valuation and utilization.
- Information management to simplify business decision making and investment.
- Utilize land as long-term asset, e.g. ground lease

State government should also assist and support the urban governments in their effort especially focusing on legal base preparation which will give local governments feasible foundation. The recommendations for State government level based upon U.S.A experience are as following:

- The Tax Law of 1993 should be revised to give title to local governments to partially collect business income tax or sales tax.
- Ordinance should be passed to increased alternatives to collect local fees and charges.
- To legitimate local government not only to collect the property tax but beyond that, to give the right upon tax reduction, tax increase, and tax assessment of the property value in order to encourage investment.
- Introduce state programs which will secure local government borrowing, will subsidize interest rate below market rate for local governments as well as interest rate tax exempt.

5.5.3 Management

In the redevelopment process the management of the project is the very important one. As it was learned during the research, business people are tend to make broader view, they do not stay in narrow governmental bureaucracy division of the boundaries. As it is case of Greater Baltimore Committee, private non-profit organization could be signed into the one project but generally, they tend to operate in metropolitan scale. Non-profit or quasi-governmental organizations incline organize around issues crossing the administrative boundaries of the city. As it was pointed in section three of this chapter, there are several reasons why establishment of the relatively independent third body with adequate authority is essential. Local government of Bratislava should consider this trend in the urban management which has been prove as feasible in the Baltimore's case, and in that respect following recommendations are suggested:

- Specialized management organization should be established to provide professional skills in public property management and project implementation.
- Simplify bureaucratic procedures to enhance private investment.
- Stress on professionals rather than on politics.
- Revision of Municipal Act of 1990 to restructure division of responsibilities and finance redistribution between the local and sub-local governments in Bratislava.

The State Government role in this process is very important due to the lack of the legal recognitions of the third sector in Slovakia. The State legislatures should support the role of NGO's in the urban areas. In regard to that, the following changes are recommended:

- The Slovak Republic Capital Act of 1990 should be changed in order to reduce administrative units of Bratislava local government and clearly define responsibilities and authorities between two overlapping layers of the local government.
- The right to control planning implementation - authority to give local permits should be passed on local level.
- The law which will clearly define public interest and in that respect power of eminent domain should be introduced.
- The law which will recognize and define the non-profit sector and in that respect the tax exemption and tax deduction principles.

5.5.4 Marketing and Promotion, Community Involvement

As it was seen during progress of the research, the cities and their programs are considered the same as other private activities and products. So, marketing and promotion of the cities is very important element contributing into the successful implementation of the public policies. In the same time, this helps familiarize general

public with governmental objectives as well as to involve communities into the process of decision making. In this topic following recommendations are suggested:

- Increased community involvement in decision process through organizing advisory committees with community representatives, and public workshops.
- Increased information access, transparency of decision making and direct public control through public hearings, publishing, and appealing court process.
- Marketing the city, promotions, campaigns.
- Build understanding between city representatives and citizens, understanding of community needs and priorities as well as policy decision logic.

5.5.1 Epilogue

Cooperation with the private sector and community, and an improved business attitude in the government can help to develop city of Bratislava and strengthen its position in competition. It can help to address social needs by increasing economic productivity of the city and facilitating urban redevelopment; economical and physical. This needs the willingness of each partner to achieve his objective by consensus - no one loses. It is important to recognize each partner's interest to achieve mutual goals in order to increase the welfare of the citizens; to increase their income and wealth will consequently increase the wealth of the whole community and country.

Any economic and physical urban improvement is determined by a well-functioning system of institutional structure and financial redistribution. This requires new face public administration - national and local - with the ability to cooperate, to be flexible and capable in the effective use of the available human and financial resources.

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