



Public/Private Partnership:
Building an Urban Village

Weiming Lu
before the Minnesota Club Forum

January 31, 1994

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PUBLIC/PRIVATE PARTNERSHIP: BUILDING AN URBAN VILLAGE

WEIMING LU

LOWERTOWN REDEVELOPMENT CORPORATION

JANUARY 31, 1994

I APPRECIATE THIS OPPORTUNITY to speak before this distinguished civic and business community. In the short time I have this afternoon, I would like to present to you the complex public and private partnership that has been the mission of our corporation. Through the efforts of many, we have transformed this old warehouse area into a new "urban village". While there were a few projects which have suffered here and there in this large undertaking, they have recovered and found new market niches. They are doing well. The substantial private investments we have attracted to our area, and the new neighborhood we have built, will survive and prosper. With the new Mayor and new City Council, with the economy in a more steady recovery, we are looking ahead with new vision and confidence.

OUR MISSION

Fifteen years ago, Lowertown, the historic heart of St. Paul, like other remains from the transportation era, was a hodge-podge of warehouses, parking lots, and railroad yards, with a beautiful but poorly utilized riverfront and a number of rundown historic buildings.

Our former Mayor George Latimer and the McKnight Foundation together visualized rebuilding the district to create new jobs, tax base, and housing. The foundation set aside \$10 million to be used in a program to attract \$100 million of private investment, our original goal.

In late 1978, the foundation asked that a private, nonprofit corporation be created, headed by a blue-ribbon board, to administer the program.

The resulting Lowertown Redevelopment Corporation (LRC) is a *design center* for generating ideas, a *development bank* offering gap financing in the form of loans and loan guarantees, and a *marketing office* for the 180-acre area. LRC, in partnership with the City, Chamber of Commerce, banks, labor, private foundations, the arts community, and the private sector, has planned and executed a development strategy for the area.

LRC's redevelopment program envisions Lowertown becoming a viable "urban village", a desirable neighborhood in which to live and work.

MARKETING EFFORT

LRC has marketed Lowertown's possibilities through advertisements in newspapers and magazines, published reports and brochures, constructed a large area-wide architectural model, conducted tours of buildings and sites, and above all, worked directly with prospective individual investors.

In the beginning, it was most difficult to arouse their interest. In one instance, I vividly recall going to Texas to invite some developers to come to St. Paul. One evening, they arrived via their Lear jet. I greeted them on Sixth Street to take them to our office at Park Square Court. The streets were so empty, with no cars and no people except for those four Texans and me. Park Square Court was then also half empty, yet I was trying to convince them that this was a great place for them to invest. They smiled at me and never came back.

Nevertheless, through much individual effort, we have since recruited investors from near and far, including Philadelphia, Boston, Chicago, Atlanta, Montreal, Los Angeles, Madison and the Twin Cities. We have come a long way since then.

HOUSING SUCCESS

Today, a real neighborhood is emerging, offering a wide range of housing choices and amenities like a Farmer's

Market, YMCA, a new park, restaurants, cinemas, shops, skyways, and district heating.

In addition to our marketing efforts, early in our program, LRC worked with the Landmark Commission to get the warehouse area designated as a historic district. Historic rehabilitation and low-income housing tax credits, along with some Lowertown Redevelopment Corporation and city gap financing, have helped this area's housing market thrive. More than 1,500 rental and for-sale housing units have been built, making Lowertown one of St. Paul's fastest growing neighborhoods. Our residents are a diverse group. Many are young professionals, single and married. A significant number are empty nesters. Others include students, artists, and business owners who find the neighborhood a richly interesting place to live and work. Nearly 25% of the units are for low and moderate income families.

SUPPORTING THE ARTS & BUSINESS

LRC and city leaders have taken care to support and expand Lowertown's attractiveness as a haven for artists, photographers, and writers. Today the area has a number of art galleries. Annual arts, crafts and music festivals draw large crowds.

Having attracted public television station KTCA and Independent Television Services (ITVS), a creation of PBS, to locate in the district, we believe Lowertown can also become an important new regional center for the video, film, and communications industry. Architectural, graphic design, advertising, and related "soft" industry firms are also finding Lowertown an attractive place in which to locate.

Lowertown is a good location for both large and small firms. With two business incubators, low cost unique space, and historic charm, Lowertown also attracts many small businesses. Giant offices like the former BN Building was half-empty, but once beautifully restored, it was able to attract First Bank and other large firms to stay or to relocate here.

MEARS PARK REJUVENATION

Mears Park is the real heart of Lowertown, and its "village common". Unfortunately, trees were dying, brick pavement was broken, and some hidden corners in the park invited insecurity. It recently underwent a \$1.5 million reconstruction, with its design and construction taking five years to complete. This process illustrates well our involvement with the citizenry in such public improvements. First, LRC, the City and Downtown Council jointly engaged a national consultant to look at the ways in which the public used the park today. Second, an artist was selected after a national search to work with a city landscape architect. Third, they reported to a community advisory committee of residents, merchants, developers, property owners, artists and civic leaders. Fourth, parallel efforts were made to secure the needed funds from public and private sources. The result of this extensive collaboration was the creation of a park for all seasons.

The park's design combines a cascading stream with a formal, urban-style garden and informal natural garden. These are joined at the center by a large paved area providing seating for concerts in the summer. Opened in summer of 1992, the new park has quickly become the center of noontime and evening activity in Lowertown. All of those who participated in this reconstruction process feel a great sense of accomplishment. LRC was pleased to participate in all phases of this process. This whole process reminds me of what the Chinese philosopher Lao Tse said about leadership: "A leader is best when people barely know that he exists. Not so good when people obey and acclaim him. Worst when they despise him.....A good leader is one who talks little when his work is done, his aim fulfilled. They will all say, we did this ourselves".

ECONOMIC IMPACTS

Investment in Lowertown over the past 15 years is now approaching \$400 million, four times the original goal,

and has brought 2,900 construction jobs and 4,600 permanent jobs to the neighborhood. Property taxes generated in the area have increased fivefold.

GAP FINANCING

Lowertown Redevelopment Corporation's role as gap financier made the critical difference. For example, an investment of \$120,000 each from LRC and the city made the \$3 million Heritage House, a 60 unit senior citizen housing development, a reality.

A \$210,000 loan and loan guarantee from LRC, and a \$540,000 loan from the city, helped to make a \$1.7 million artist loft project feasible.

A \$1.2 million loan guarantee for 5 years jump-started the Park Square Court project.

And a \$2.2 million LRC loan plus a \$4.4 million UDAG launched the development of the \$33 million Galtier Plaza (which has since grown to \$128 million), a stylish residential, office, and retail complex that includes the YMCA and movie theaters. To date, LRC has committed at one time or another a total of \$7.7 million in loans and loan guarantees for 11 projects.

We achieved a leveraging ratio of 1 to 13 for our gap financing in these projects, even using conservative figures. If we use the actual development costs, the leveraging ratio would be 1 to 30. This compares most favorably with the national average of 1 to 5 for UDAG in projects across the United States.

PRESERVATION & URBAN DESIGN

Lewis Mumford said, "For most Americans, progress means accepting what is new because it is new, and discarding what is old, because it is old." In Lowertown, we haven't indiscriminately accepted the new, nor have we discarded the old.

An important part of Lowertown's appeal is its distinctive look and historic sense of place. From its inception, LRC

sought historic designation for the warehouse section, even though there was opposition at the beginning. LRC has emphasized the role that amenities, good design, and historic preservation can play in creating and maintaining a vital neighborhood.

In addition, LRC sets design guidelines for selected blocks owned by the City, per its request. Then working with city agencies, we encourage private owners to improve projects through the design review process.

We strive to preserve what we already have, and to make certain that what is new blends well with the old. We don't attempt to adhere to any specific style, but only search for compatibility of materials, colors, rhythm, and proportion.

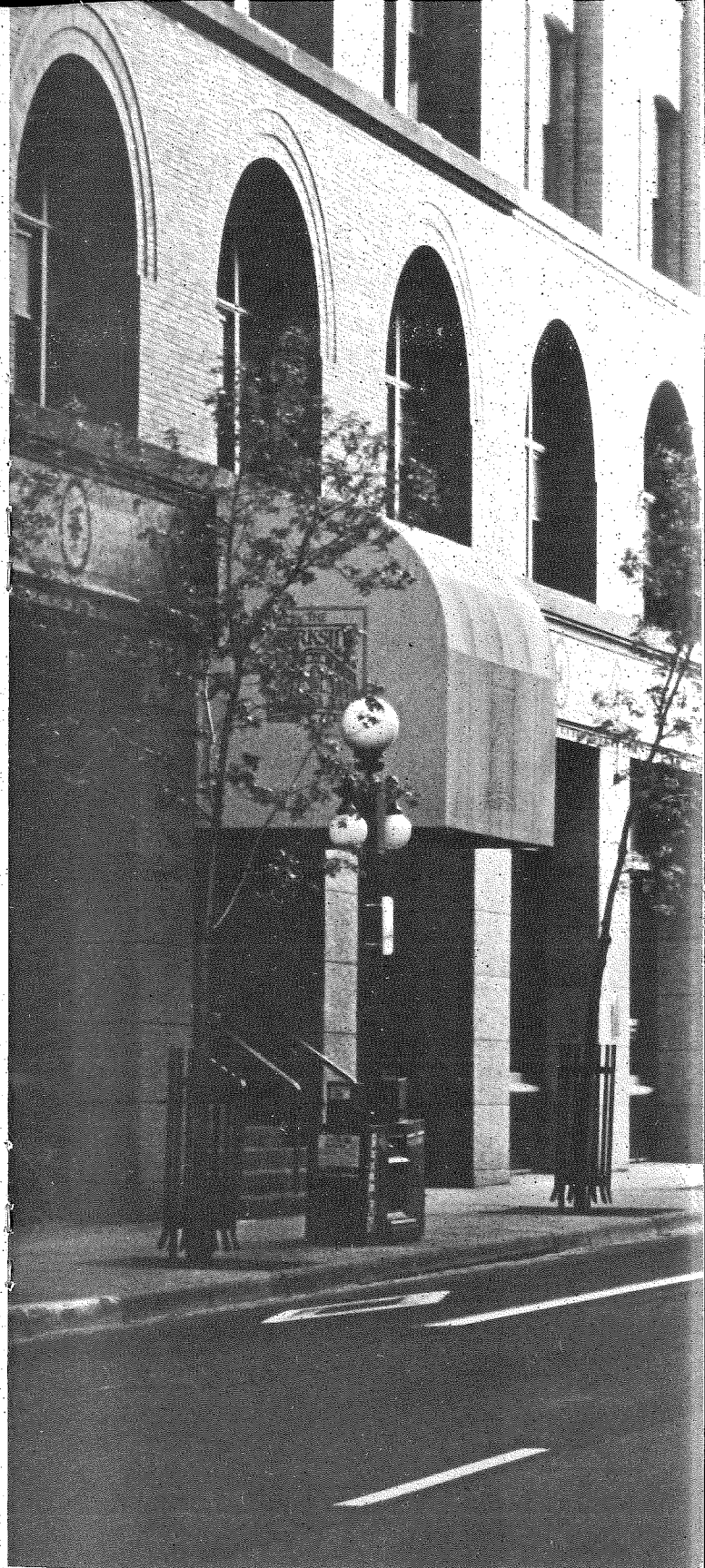
Reproduced old street lamps were brought back, which helps so much to sharpen Lowertown's historic identity. Historical markers on buildings and in the park make visitors more aware of its place. Simple brochures help visitors to rediscover the historic past. The new Farmers Market in the heart of the residential neighborhood recalls the old. The old Depot and the two historic churches remain as the area's important landmarks.

GALTIER'S RECOVERY

Galtier Plaza, for a variety of reasons, was initially less than successful. Fortunately, after being sold and refinanced, new market niches were found. Two years ago, our corporation also provided a \$540,000 bridge loan to help them. Under the new ownership it has fully recovered, and is doing well. Today, its office space is 100% leased, retail & entertainment space is 90% leased, and the condominiums are 85% sold.

LOOKING AHEAD

Looking ahead, the riverfront and the area north of Seventh Street are our new frontiers for the 90's. As early as 1981, LRC, in collaboration with the City, first



proposed a River Garden Plan to recapture the beauty and development potential of the Mississippi riverfront area.

Since the plan was first proposed, through public/private partnerships we have already successfully accomplished some of its most important elements, including the following:

1. KTCA has built a new television production facility over a large public garage serving this area.
2. Part of the Depot Headhouse has been restored; a major restaurant and a cable TV company are already located there.
3. A skyway between the KTCA block and the Depot was constructed in 1992.
4. Reconstruction of Warner Road was started by the City in 1993, and will be completed in 1994.
5. Earlier, the Freight House office/housing condominium was launched by private initiatives, which was complemented by historic lighting and landscaping by the City. Lowertown Commons and Northern Warehouse have since followed.
6. In late 1992, financing for a \$6.9 million housing project on Kellogg and Broadway, the Tilsner Building, was secured. Construction for 66 additional low income artist families was started in spring, 1993.

In December 1992, LRC signed a contract with the City to update the Riverfront Garden Plan and Depot, and to explore funding possibilities under the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA). Two consultants were hired, including Rafferty, Rafferty, Tollefson Architects, and Edward & Kelcey, Engineers.

The riverfront site in Lowertown offers great views, large sites which can be readily assembled, and easy accessibility by cars, buses, skyways and planned downtown shuttles and LRT.

The consultants developed three exciting schematic designs:

1. **A Post Office Expansion Scheme.** A large post office mail handling facility could be built here, and a park or plaza or other use over the facility to capture the view of the river. Some of the existing parking structure could be reconstructed, either in the adjoining blocks, or within the Post Office's land. Truck routes from Kellogg or the future bypass could be maintained.
2. **Arts and Culture Scheme.** Activities related to KTCA and other arts and cultural uses certainly belong here as well. The area could be used for the site of the proposed new Science Museum, as well as for the visitor center which the National Park Service is planning.
3. **Housing Scheme.** Terrace-styled structures with underground parking could be built overlooking the river. This plan would include development of a marina to serve the Lowertown area, and maintain access to the Post Office.

Each design has great potential for the riverfront area. Each would require further effort to determine its feasibility. Since the site is quite large (up to 30 acres), it is possible to accommodate more than one alternative use.

Several immediate steps toward riverfront development may be taken:

1. Improving the Sibley entrance to Lowertown by cutting off the unneeded railroad deck, redesigning it to create an inviting entrance to Lowertown and beautifying the street landscape along Sibley Street.
2. Acquisition of the Depot Concourse and exploring a variety of uses as proposed in the new plan.

We have prepared grant applications for the City should they choose to apply for ISTEA funding for these two potential projects.

We have shown our plans to a number of organizations, including the Post Office, the Mississippi River Park and Recreation Commission, the Science Museum, and DCDC. We plan to follow up with marketing, design, and financing feasibility studies. We plan to work with the Mayor's office, its riverfront task force, the Riverfront Development Corporation, City Planning Commission, Port Authority, HRA, and private investors to implement the new plan.

There is still much to be accomplished. Besides the redevelopment of the riverfront, a technology park for medical, biotechnology, software and other high technology industries is also planned for the northern section of Lowertown.

PUBLIC/PRIVATE PARTNERSHIP

Across the country, cities are under financial constraints. We must find ways to use our limited resources more effectively. We must recognize we can't solve all of our urban problems via more government programs. Public and private partnership can be an instrument to help in solving many, though not all, urban problems. A private corporation with public purposes, like LRC, is increasingly in demand from city to city.

We have shared our experiences with many cities in the United States and abroad. Chattanooga is one such example. Led by the Lyndhurst Foundation, their civic leaders traveled around the country to seek a partnership model they could emulate. Afterward, they created a corporation patterned after ours, down to our by-laws. Their foundation gave them \$20 million and created a River Development Company six years ago. Since then, they have generated \$286 million in investments, including an Aquarium, a riverfront park, housing and other developments. Other cities like Cleveland, Dallas, Denver, and Richmond, Va., just to name a few, have also visited us.

However, "partnership" is easily said, not easily done. From Lowertown's experiences, an effective partnership needs at least five elements:

1. An independent organization with a focus area and mission;
2. Sufficient resources to be used as leverage against public and private investments; McKnight's support was crucial to Lowertown;
3. Strong civic leadership and infrastructure so that community issues can be resolved and acted upon;
4. A shared vision larger than individual projects, and the patience and persistent effort required to realize the vision;
5. The expertise in marketing, financing and design to guide the complex planning, negotiation and development process.

As Alfred North Whitehead said, "We think in generalities, we live in detail." Our shared vision may be in generalities, the thousands of steps we must take to carry out our vision is all in the detail.

As former Mayor of Indianapolis Joseph Hudnut said, "In government the active tendency is to protect turf, to resist changes, to build empires, to enlarge one's sphere of control, to protect projects or programs, regardless of whether or not they are any longer needed."

LRC has no turf to protect, since we own no land, and have no jurisdiction over any area. We constantly seek partnership with others to get things done. We are a small organization. We have deliberately kept our office lean, with a two person staff. Anything that can be done by others, we chose not to duplicate. We don't protect any projects or programs. If there are things other organizations like to do in Lowertown, we can move on to other projects. There is so much to be done in building

this "urban village". It is in the many bridges we build with many organizations that we help shape its future.

In Lowertown, we are proud that public and private partnership has turned empty warehouses and parking lots into a new, exciting neighborhood in the heart of St. Paul.

Our board has just completed a new Strategic Plan, putting new emphasis on the riverfront and housing. With a new Mayor and new City Council just taking office earlier this month, we are looking forward to a new phase of Lowertown development.

Let me conclude by making a few additional points:

1. Looking ahead, we should and must dare to envision an even better Lowertown. Without the envisioning process in the past, Lowertown might have remained an area of empty warehouses and parking lots.
2. The growth in the 90's will be different from the 80's—our approach needs to be adjusted accordingly. Smaller, incremental growth is important to us.
3. We shouldn't and can't ignore the reality of the Mall of America, which is just 19 minutes away. We have no ambition for any retail to compete against the megamall. Our merchants have already made the adjustment in our retail from specialty shopping to a neighborhood-oriented center.
4. Our resources are limited, so our gap financing effort must continue to be disciplined. We must be willing to take risks, yet seek maximum leveraging. We also must seek additional resources if we are to fully realize our future potential.
5. We must continue to market vigorously to local and national developers, investors and private companies, as well as seeking continued cooperation of public agencies. We will seek public/private partnership in every project we undertake in the future.

On qualitative standards in writing, John Updike said we must "work steadily, even shyly, in the spirit of those medieval carvers who so fondly sculpted the undersides of choir seats." I believe in building an urban village, we can certainly learn something from the spirit of the medieval carvers, in every brick we lay and every tree we plant in Lowertown.

Let me conclude by quoting James Rouse, pioneer rebuilder of American cities, "It is our task and must be our state of mind to accept new conditions as part of continuing change, to see the opportunities in them, and be uplifted by them, not by small, timid grudging approaches made in response to crisis, but with plans big enough to find new answers."

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WEIMING LU, EXECUTIVE DIRECTOR of Lowertown Redevelopment Corporation since 1981, has earned international recognition for his work in three American cities, St. Paul, Dallas and Minneapolis, and is regularly sought as an advisor to governments, foundations and private industry in urban design and public-private partnerships.

Under his leadership, LRC has been a catalyst for significant growth in the historic Lowertown neighborhood of St. Paul. Since 1979, through its function as a public-private partnership, LRC has attracted more than \$380 million of investment to Lowertown, creating a unique new "urban village" which has become a model for cities all over the world.

He has served as a consultant to numerous public and private organizations both in the U. S. and internationally, ranging from the City of Beijing to the United Nations. During his career he has received many honors and awards, including the Quadrennial Presidential Award for Design Excellence in 1985.

He is an Honorary Member of the American Institute of Architects, a member of the Urban Land Institute, and a member of the Committee of 100, a national organization of Chinese American leaders in the arts, academia, public service, business and science.

