

THE ROLE OF THE PUBLIC SECTOR IN  
DOWNTOWN RETAIL DEVELOPMENT:

An Analysis of Successful Projects and Their  
Application to the Denver Centerstone Retail Project

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by Gordon Kent Gonzales

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ABSTRACT

The purpose of this thesis is to identify the common elements of success in downtown retail development projects, in which the public sector participated. By analyzing 5 case studies of successful public-private retail development projects, common elements were identified that can provide guidance for public sector actors in pursuing downtown retail development. In order to determine the elements, each case was analyzed in terms of; the motivation of the city to pursue such development; how the city organized to deal with the project; who were the major actors in the project and what role did they play; what was the final deal that the city was able to negotiate and finally; what were the most critical things the city did to help the project succeed. From this framework and the common elements that were identified through it, a set of recommendations were formulated for the Mayor of Denver, to guide his decision-making in determining a role for the city in the Centerstone retail project in downtown Denver, Colorado.

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## INTRODUCTION:

Throughout history shopping has been a major ingredient of downtown life. Some would argue that it is the most significant ingredient of a lively, diverse and healthy downtown. The more varied and exciting the downtown shopping experience, the more attractive downtown is to shoppers and in turn, investors. Shopping generally supports other activities -- entertainment, housing, offices and institutions -- and is in turn supported by them. One indicator of the importance of shopping to downtowns is the impact of retail decline on the image and economic health of downtown. Many cities have recognized the value for a strong retail component to their downtowns and have made creative efforts to strengthen it.

The purpose of this thesis is to explore the role of the city, i.e., the public sector, in the development of a major downtown retail project. While there are many issues surrounding the involvement of the public sector in real estate development, this thesis will focus on identifying the key principles of successful downtown public/private ventures in other cities and the application of those principles.

This thesis will not concern itself with the creation of a financial model for cities to utilize in evaluating projects. Nor will it deal with detailed flow charts of administrative roles and relationships.

The approach this thesis will take will be to analyze five successful downtown retail projects and determine the

common elements that contributed to their successful implementation. The information for analyzing the five projects will come from a series of case studies of downtown development directed by MIT professors Bernard J. Frieden and Lynne B. Sagalyn. From the common elements, the goal is to derive some guiding principles or lessons that can be applied to the Denver Centerstone Retail project in downtown Denver, Colorado. The result of the thesis will be a series of recommendations that could be utilized by the Mayor in evaluating the public's role in the project.

There are many factors that must come together in order for a project of this nature to be successful. Chapter 1 will present an overview of successful projects in other cities and identify the key elements that contributed to their success. There will also be a discussion of the various techniques utilized. A primary hypothesis that the author will put forth in this thesis will concern the role of leadership, public or private, in a successful project. It is the author's belief that public or private leadership is the most critical factor in a public/private real estate venture of this nature.

Chapter 2 will provide a brief background of the downtown Denver retail project known as Centerstone. The chapter will focus on an analysis of the project in terms of the framework utilized in the analysis of the cases in Chapter 1.

Chapter 3 will outline recommendations for the Mayor to consider in evaluating what the city's role should be in this

project. There will be discussion concerning political strategies, techniques for organizing to handle this project and roles of other actors in the project.

## CHAPTER 1      OVERVIEW OF SUCCESS: THE KEY ELEMENTS

### Introduction

Public/private partnerships in downtown revitalization have evolved significantly from the days of Urban Renewal. Gone are the days of flowing federal funds. Cities have become and will need to continue to become more independent of "free" or nearly free of federal money.

The new techniques require a much more creative and entrepreneurial approach by the public sector in dealing with private sector partners. However, the techniques are only one part of the success of these projects.

This chapter reviews 5 public/private downtown development partnerships and attempts to identify the common key elements that contributed to their success. In order to analyze the case studies, a framework of 5 factors were evaluated.

- 1) Motivation/rationale for involvement: Why did the city become involved in the project? How did they justify to the public the need to participate in the project?
- 2) Organizational Aspects: How did the city organize to deal with the project? Did the city do anything extraordinary in order to handle this project? What was the general philosophy about negotiation and any subsequent renegotiation? Did the city understand the nature of the development process? How did the city prepare to negotiate with the developer?

- 3) Actors/Roles: Who were the major actors? Public sector personalities/groups and/or private sector personalities/groups? What role did the business community play? Did the public sector play a primary role in initiating and supporting the project, or did the business community? Were there any key leaders? if so, what in particular did they do?
- 4) The Deal: What did the city put into the project in terms of dollars and what did they get in return? What other assistance did the city provide in the project and what was the nature of that assistance? Did the city utilize any special financial tools? What were the cities objectives?
- 5) Critical Factors: What were the most critical things the city did without which the project would not have succeeded?

After reviewing the case studies based on these factors, the chapter will draw conclusions as to what some of the key principles are that a city should follow when entering into a public/private development project.

The projects and cities that will be reviewed include: Horton Plaza, San Diego, California; Plaza Pasadena, Pasadena, California; Faneuil Hall Marketplace, Boston, Massachusetts; Pike Place Market, Seattle, Washington; and Town Square, St. Paul, Minnesota.



## PLAZA PASADENA

This regional mall is located in downtown Pasadena and consists of 585,000 sq. ft. on two levels. The project was part of an overall redevelopment effort being pursued by the city. The total cost of the project was \$107.6 million dollars, inclusive of all site acquisition, demolition and improvements, construction costs, tenant improvements and parking (ULI, 1983). The project went through 8 years of planning, negotiation and construction before it opened to the public.

### Motivation/rationale for involvement

The center city of Pasadena was in a serious state of decline characterized by a prevalence of obsolete buildings, instability of business activities, a shrinking regional market area, growing competition within the marketing area, deterioration of many buildings, and street and parking problems. In response to the problems and the accompanying prospect of a declining tax base, loss of jobs and social problems, the city created a 340-acre redevelopment area. A key element of the plan called for a regional retail center. The city wanted to keep the middle income families that were fleeing the city. By providing a moderately priced retail center as part of a revived downtown, the city felt they could overcome their bad image as well as boost lagging tax revenues.

## Organizational Aspects

The city utilized its existing redevelopment agency as the primary entity to handle the project. The executive director, who had been newly hired just before this project, had extensive experience in redevelopment in Los Angeles. The city did change the name of the agency, to the Pasadena Redevelopment Authority (PRA), in an attempt to improve its image.

Under California law, a redevelopment agency is responsible for the elimination of blight through the redevelopment process. The agency has the power to: 1) acquire land, including the use of eminent domain 2) assemble land 3) develop, administer, sell or lease property 4) demolish deteriorated structures 5) relocate residents and businesses 6) provide on and off-site improvements 7) issue bonds and expend their proceeds.

For this project the PRA utilized consultants extensively to assist them in preparing for negotiations with the developer. In order to be as prepared as possible, the city utilized consultants familiar with shopping centers. Some of the studies they had prepared to provide a basis for negotiation included:

- 1) Feasibility analysis (economic consultant)
- 2) Preliminary design studies (architectural consultant)
- 3) Property values (appraisal firm)

- 4) Preliminary economic and planning studies including proforma analysis, in order to estimate the necessary public subsidy for the project (economic consultant)
- 5) Market analysis
- 6) Development opportunity analysis (value of opportunity)

Consultants were utilized throughout the negotiation process so that proposals could be evaluated and submitted that best represented the city's interest in getting the project done. In an effort to insure the success of the project, the executive director of the PRA wanted a specific experienced retail developer, who he was eventually able to get.

The cities commitment to the project, as well as the developers, was illustrated by the number of times that the DDA (Disposition and Development Agreement) was renegotiated. Neither party appeared to be averse to renegotiating the terms of the agreement. The city was firm on certain items of negotiation, the primary one dealing with design considerations.

#### Actors/Roles

Both the city and business community played significant roles in this project.

The business community early in the planning process for the entire redevelopment area paid for and heavily

influenced a major study of downtown. The study was called the Central District Improvement Program. According to one downtown businessman, "the consultants did not put anything in the report they were not told to." Perhaps of more significance, however, was the fact that the business community held a majority on the City Board of Directors. Through this majority they were able to control the appointment of a majority of the members of the planning commission and the redevelopment agency, as well as the city manager and his key assistants. These roles, coupled with strong business community support for the Plaza Pasadena project, proved to be critical to the strategy of the key city actor in the project. The support for the project by the City Board of Directors was seriously tested by opponents who wanted the general public to vote on the financing method for the project. Rather than allow a test of public support for the project, the Board changed the method (at the suggestion of the key city actor and his board -- the Redevelopment Authority) to one which would not require a citizen vote. This was a significant move on their part affirming their commitment to the project. It was also significant because of the manner in which the citizen concerns were handled. Rather than trying to work with the opponents of the project to create a compromise, the city chose to remove the financing method decision from the citizens. In a climate of greater opposition, this move might have resulted in major problems for the project and those

behind it. As it turned out, the opposition was not strong enough to focus more citizen efforts to stop the project. Another issue raised by this incident is the role of the public in making decisions about how the city conducts its business. In this project, the key city actor felt that there were decisions that were required to be made by public officials without citizen input. It was his feeling that it was the responsibility of the public officials to be making decisions on behalf of the public, and to include the citizenry in certain decision-making processes, such as financial packaging and even design issues, would only hinder the project and potentially increase costs to a point where the project would no longer be feasible. He felt that in order for the city to make a project like Plaza Pasadena successful, it must operate with almost as much flexibility as the developer.

The key city actor was the executive director of the PRA. A true political entrepreneur, he was able to utilize expert political maneuvers to avoid and deal with opposition from the general public as well as from PRA and City Board members. His strategy was to maintain a low profile, proceed with minimum public notice and discussion (especially of details) and to push for signed agreements early in the process. Another element of his strategy was to have the city deal with public approvals for the project. This insulated the developer from political and public objections while

allowing the PRA to manage and control them. The executive director was also primarily responsible for the selection of the developer of the project. When the director initially came to the PRA, discussions had already been initiated with a developer. The director wanted a developer with more retail experience so he ended negotiations with the current developer and began new negotiations with a developer he felt more appropriate for the project. This new developer ultimately became the developer of the project.

### The Deal

The formal agreement between the city and the developer was renegotiated several times, but for good reasons. The primary reasons were related to the city's method of financing its role in the project. The fact that both parties were willing to renegotiate when certain circumstances changed the ability of one of the parties to fulfill their obligations, indicated a strong commitment to the project by both parties. There were three major agreements signed by the parties involved in the project, a Disposition and Development Agreement (DDA), a Reciprocal Easement Agreement (REA), and a Parking Facilities Lease. All three agreements required extensive negotiation by all the parties involved. The DDA detailed the rights and responsibilities of the developer and the PRA. The REA is an agreement between the developer, anchor tenants and the PRA covering responsibilities in areas such as building design, construction schedules and common

area management. The Parking Facilities Lease detailed the roles and responsibilities of the City, the PRA, and the developer in paying for the operations of the parking garages.

For the purposes of this thesis, the focus will be on the DDA.

The PRA's obligation under the DDA were:

- . purchase all the necessary land
- . relocate businesses and individuals
- . demolish all structures and remove debris
- . construct 3 parking garages
- . undertake all public improvements
- . sell the air rights parcel over the underground garage to the developer
- . prepare and process an Environmental Impact Review
- . bear the cost of defense of agency and developer against any action brought by a third party

The public and private costs for the project were:

Private funds:	\$52,113,000
Public funds: (net)	41,009,000
Sources: public funds (gross)	
Tax allocation bonds:	39,567,000
Investment Interest during construction:	1,442,000
Development payments and other funds:	1,262,000

The return to the city for its investment was:

- . a 35 million dollar increase in sales tax
- . an increase in permanent employment for 1800 people
- . image enhancement

. additional spinoff development

The philosophy of the PRA executive director was "while office buildings will produce great amounts of tax increments -- thus a good return on public investment -- they will not create the necessary activity and vitality for a viable downtown. Hotels, restaurants and retail businesses are what is needed. However, their return on public investment will probably be a one-to-one ratio rather than a fifteen-to-one ratio for office uses."

#### Critical Factors

The likelihood of this project succeeding would have been significantly decreased had the business community, through its representation on the key boards of the city, not remained so committed to the project through the periods of public opposition. This commitment was also apparent in their obvious support for required flexibility in renegotiating the agreements in order to keep the project viable. Through this commitment, in the face of public opposition, the members of the PRA Board and the City Board of Directors were not only willing to risk their political status in the community, but they were also willing to put the city at risk in fulfilling their role in the project. The commitment illustrated that the willingness to renegotiate was due partially to the desire to get the project completed, and partially to the level of investment the city already had in the project. The city did not want to



lose the investment in time and money that they had placed in the project, nor did the developer. This mutual investment helped to maintain the willingness to renegotiate in order to keep the project feasible. For the developer there was also an investment in his reputation. Having been successful at developing many suburban malls throughout California and the U.S., he was interested in keeping his record intact. This type of urban mall was also a new concept in retailing, and he wanted to be as successful in developing urban malls as he was in suburban malls.

Another critical factor was the city's ability to select the developer for the project. Because the city controlled the land and had specific objectives for its development, they were able to select a developer to meet their needs. By selecting a developer with the appropriate downtown retail experience that the city needed and wanted, the likelihood of the project becoming a success was greatly enhanced. Another critical factor was the political entrepreneurship of the executive director of the PRA. His ability to work around and most often avoid the political and public opposition greatly aided this project. Some of the tactics he utilized were not desirable from a public/citizen viewpoint, although his goals were clearly in pursuing the public's interest in the project. There were certain elements of the project that he felt were appropriate for the public to participate in and there were others he felt were inappropriate. It appeared, however, that

he stretched this belief even to the different boards he had to deal with. When holding required public hearings on the project, he would reveal as few details as possible often dismissing questions about them as premature. When asked about them at a subsequent meeting, he was known to reply that the issue/detail had already been decided and it's too late to provide input. What is critically important about this example is the executive directors strategic timing with regard to public hearings. He could legitimately "avoid" or dismiss a question/issue on the grounds that it was "not germane or appropriate" at that time. Some of the excuses he used were, that "it was being addressed in the Environmental Impact Report", or that the question was one of detailed design and it was too early in the design process to address, etc. The majority of the members of his Boards however, were not disturbed by these tactics. They wanted to get the project completed and the executive director was doing it. These skills at manipulating the public process and keeping (legitimately perhaps) detailed questions out of the general public's eye were successful because of the political support he had. In a different political climate, one requiring more extensive public participation in the process, his "skills" may have seriously hindered the project.

Another factor that helped the city in this project was their use of consultants. The city did not try to enter into the project without the necessary information to use as a

basis for negotiations. The city recognized they did not have staff to do the necessary work so they hired consultants. The key in hiring the consultants is that the city knew what it didn't know. In order to solve this problem, the city hired specific consultants to provide specific services to aid them in their negotiations. They also hired consultants who, because of their experience working with both the private and public sectors, were able to understand the city's role and perspectives. This combined experience made the consultants valuable third party players who significantly shaped negotiations because they were credible analysts.

#### TOWN SQUARE

This mixed use project is located in downtown St. Paul, Minnesota. The project consists of office, hotel, retail, restaurants and public parking. The total cost of the project was \$126.6 million. The project went through ten years of planning, negotiation and construction before it opened in 1980.

#### Motivation/rationale for involvement

Originally the site was part of an Urban Renewal project area. As time went on, however, the downtown continued to decline and the site remained undeveloped. Locally the site became known as "Superhole", and had become a symbol of the retail heart of St. Paul. The renewal program that the site was a part of was blamed for the major losses in

downtown retail (a net drop from 411 to 161 stores including the loss of 361 stores in 12 years).

The city was embarrassed and concerned, not just because of retail decline and all its associated impacts, but because the Superhole was representative of the city's ability to do something about its problems.

#### Organizational Aspects

When the project was initiated it was being handled through the St. Paul Housing and Redevelopment Agency (HRA). However, a newly elected Mayor decided to reorganize the city's planning and development structure so that the city could more actively participate in the development process. In order to accomplish this, a Department of Planning and Economic Development (PED) was established under the direction of the mayor. This new department consolidated the functions of the HRA, the Planning Department and the Community Development office. The functions of the Board of the HRA were transferred to the City Council. The HRA/PED had the traditional powers of a renewal authority including: 1) the use of eminent domain if necessary to acquire property, 2) the ability to sell, lease, develop or administer property, 3) the provision of on and offsite improvements.

Prior to the consolidation the HRA had designated developers for the project without the use of financial consultants, as was done in Plaza Pasadena. In the Plaza Pasadena case, the city used financial consultants to provide

the city with an analysis of the developers proposals. The HRA did not consider the financial feasibility of the proposals in their analysis. The HRA had developed detailed design studies and proposals for the site however. One of the major tools that the city used was the creation of a 33-block Downtown Development District. Based on this district, the city issued tax increment bonds to finance planning and design studies for several projects within the district.

The city was flexible in its willingness to renegotiate with the developer when it was necessary. For example, with the support of the business community, extensions were granted to the developers many times when they had difficulty securing their financing. The city, when negotiating with the developers, utilized staff rather than consultants to provide backup information and analysis. All deals between the city and the developer had to ultimately be approved by the Council.

#### Actors/Roles

Throughout this project there was continual interaction between the public and private sector to insure the success of the project. The planning for the project began with brainstorming sessions by public sector planners and the business community. The business community paid for a study of downtown development possibilities that was used as a basis for future downtown development projects.

A joint committee was created that included public and

private members, for the general purpose of building support for increased retail development in downtown. The public and private sector also worked together to develop strategies, plans and presentations to build local support for the Town Square project area. The city staff prepared design proposals to illustrate the potential for the site. The crucial element of the plan entitled the closing of a street and the creation of a pedestrian area in its place. The City Council agreed to support a crucial element of the plan if the business community would find a developer for the site. The crucial element of the plan entailed the closing of a street and the creation of a pedestrian area in its place. The city staff then prepared a presentation package to be used when meeting with potential developers. The business community then contacted and arranged meetings with select developers to discuss the project. Through this cooperative process, the two ultimate developers of the site were found, one for the hotel and one for the office/retail portion.

Throughout the process, the business community provided support. When the city needed to grant extensions to the developers, there was business community support. There was also press support for the project through their publicity of the project which did not include significant serious questions. Later in the process the business community helped to find potential office and retail tenants when leasing was not progressing well. A major downtown bank even went so far

as to lease space in the project, even though it did not need it, in order to help make the project successful. In order to improve the feasibility of the hotel portion of the project, a group of local investors pooled funds to invest in the project. Members of the business community even worked to settle disputes among themselves and the city concerning operating support for the project, ultimately committing themselves to help fund operating costs of the public portions. This was not an easy issue to resolve however. There were very active factions within the business community that did not want to pay any portion of the operating cost of the enclosed public space within the project. The area that was enclosed was essentially the public street that had been closed for the project. The enclosed area included several levels of public circulation space as well as a public park. Eventually, through the Chamber of Commerce, with assistance from the Mayor, the dissenting factions of the business community reached a compromise formula to assess the costs for operating and maintaining the public space more equitably.

The process was not always so smooth however. There came a point when the project was not progressing and the business community was beginning to feel alienated. To further compound problems, there were negotiations in an adjacent town concerning the development of a new major retail center that would compete for one of the same anchor department stores as well as some of the same tenants as the

downtown location.

It was about this time that a new mayor was elected, who had not received the support of the downtown business community. The new mayor however, recognized a need for public involvement in downtown as well as the problems plaguing the Town Square project. The new mayor proved early on that he was committed to the city and getting downtown projects built -- without political revenge. One of the first things the new mayor did was to establish the Department of Planning and Economic Development (PED) and hire a competent experienced director with no local political ties.

The new mayor was able to establish himself as a professional and trustworthy political leader. He began by meeting with key downtown business leaders one-on-one to get their ideas on what had to be done to get the project and downtown on the right track. He met with the key actors in the development of the project to get their input and to reaffirm the city's commitment to the project, and to confirm that the city would continue to stick to all previous agreements.

The mayor continued to use key personal meetings at critical points in the process. There were times later in the process that the mayor, with help from the business community, was instrumental in mediating disputes within that community. The mayor was also able to work with the help and support of the city council. This was aided by the fact that the city



was also doing projects in the neighborhoods -- not just downtown. The mayor was able to gain financial support for the project from a public entity that was prohibited by law from participating in this type of project. They were able to find a creative way to participate without breaking the law. The mayor and the business community also met with the Presidents of the primary retailers to emphasize their commitment. The energy and commitment exhibited by the mayor was cited as a primary factor in the decision process of the retailers that located in the project.

Another primary public sector actor was the new Director of PED. He moved quickly to gain control of the process and to complete the negotiations. The project gained momentum under the reaffirmation of the city's financial commitments even though the city was not sure how it was going to fulfill them. Utilizing his skills as an entrepreneur, the Director was able to eventually put together a package of financial resources from several diverse sources that would fulfill the city's obligations. Another factor that compounded the city's risk in this project was the city's flexibility in working to accommodate construction schedules through a fast-track construction process.

Because there were different developers, thus different architects and contractors, the city made special efforts to avoid more confusion by hiring the same consultants for their portions of the project where appropriate.

The city did not appear to have an organized strategy for dealing with the project and the negotiations, just an intense desire to get the project done. Although the city did do numerous planning and design studies, there were no studies of financial feasibility, value of the development opportunity, retail development strategy or the needed public subsidy. Despite this apparent lack of focused strategy, this complex project was implemented successfully.

#### The Deal

The total cost of the Town Square project was approximately \$126.6 million. The public share, approximately \$22.3 million, 18 percent.

The public sector responsibilities included:

- 1) land acquisition
- 2) relocation and demolition
- 3) utility relocations
- 4) street and sidewalk improvements
- 5) development of enclosed public spaces including an enclosed public park, skyway bridges and concourses
- 6) development of underground parking garages.

A portion of the city's cost was provided by a \$4.8 million Urban Development Action Grant (UDAG). The underground parking garage was financed using revenue bonds, which was later purchased by one of the developers. Tax increment financing was also utilized through the Downtown Development

District and the renewal authority. Additional federal grants were recieved from the Community Development Block Grant program (CDBG) and urban renewal.

The major goals that the city hoped to achieve through this project were:

- 1) to revitalize the deteriorating central business district
- 2) to recapture taxable property
- 3) to provide a competitive retail and employment center
- 4) to reduce population out-migration

The financial returns that the city was seeking were in the form of economic development. The projections included an increase in property taxes estimated to be more than \$2 million per year (to be used to retire tax increment bonds), an increase in sales taxes from \$600,000 to \$1,200,000 per year, and \$15 million to \$30 million of new retail sales per year within three years of project completion. In addition, it was estimated that 430 construction jobs would be created for two years and that 2,873 new permanent jobs would result from the project.

Additional payoffs included image enhancement and spinoff development.

### Critical Factors

Certainly a critical factor in the success of this project was the role of the newly elected mayor. Under his

direction the city was reorganized to more effectively deal with development. He worked to cultivate, nurture and focus a relationship with the private sector to benefit the project as well as downtown. He was instrumental in getting public entities to work creatively to find solutions to complex financing problems. He was also apparently very adept at getting support from council on the many complex elements of the project. This project would never have been successful had the Mayor not focused the amount of energy on it that he did. It was apparent that the completion of this project was one of the Mayor's highest priorities. The Mayor was pushing the resources of the city in order to prove that the city could get the "superhole" filled in with a project that would help downtown.

As was illustrated by lack of emphasis on financial analysis, the city was not compulsively interested in the direct and immediate financial returns it would receive for providing necessary financial resources for the project. Financial assistance was only one way in which the city mobilized support for the project. The Mayor was able to rally the business community to provide assistance to the project as well. The business community was as interested in getting the project as the city was. The downtown was facing competition from outlying communities for new retail development. The Mayor, through his influence on the regional review agency was able to discourage the development of a new

regional mall on the outskirts of the city. The business community worked to do what they could to help make the project feasible.

Another key actor in this process was the Director of PED. His ability to work behind the scenes to secure much needed financing for the project was essential. Perhaps more essential to the project was his willingness to put the city at great risk in order to keep the project going. There were times in the process that the city had committed to certain elements of the project without any idea of where they were going to get the funds to pay for it. They had confidence that they would somehow find a way to fund the commitment and they usually did. The point is that the city, mostly through the PED Director, was going to do as much as they could to get the project built and they weren't going to delay it in order to give themselves time to figure out how to finance their portion. They always knew they had fallback positions in case a better method couldn't be found.

The flexibility and ability to work with the developers to solve crisis after crisis is another factor that helped keep the project going. the city was willing to continue to renegotiate because they had a significant investment in the project. The investment had more to do with their image than with their finances.

## HORTON PLAZA

Located in downtown San Diego, Horton Plaza represents a new approach to shopping center design. The architect of the project likens it to an Italian Hill town. When completed in August 1985 the first phase of the project will contain 850,000 square feet of retail on three levels. The project is considered a combination regional mall and festival shopping center. Other uses include a 450-room hotel, two theatres, a cinema, restaurants, a day care center, an athletic club and a marketplace/bazaar. The project will also include a 2,800 car parking garage. Phase II will include the construction of 300,000 square feet of office or residential space. When completed, the private investment will be approximately \$140 million and the public investment approximately \$33 million. The project has taken approximately 10 1/2 years from the time the city designated the site a redevelopment project, to its completion in August 1985.

### Motivation/Rationale for Involvement

Although the city of San Diego had experienced tremendous growth between 1950 and 1980 when the population more than doubled, the downtown area suffered from dilapidated buildings, undesirable uses, and declining land values. This decay was a direct result of major department stores and other businesses moving from downtown to the suburbs where the high growth was taking place. The businesses, primarily porno shops, bars and sailer oriented stores, that replaced the

fleeing merchants created problems in efforts to attract investors, lenders and new retailers back into downtown. Horton Plaza was seen as a major catalyst in revitalizing a significant portion of downtown.

Organizational Aspects

The project was originally being managed through a bureaucratic, time-consuming process involving many agencies. In an attempt to improve the ability of the city to get the project constructed, as well as to improve the capacity of the city to quickly and efficiently facilitate the redevelopment of downtown, a separate autonomous non-profit corporation was created. With the approval of city council, the Redevelopment Agency created the Centre City Development Corporation (CCDC) to plan, direct, and implement redevelopment of the urban core. Instead of dealing with the many city departments with authority over the project, the developer was able to work with just one agency.

The specific duties of the CCDC for Horton Plaza included:

- 1) studying the impact of the project and commissioning the preparation of an environmental impact report.
- 2) overseeing the site acquisition, relocation and clearance options.
- 3) coordinating the approval process with other city agencies, the mayor and city council.
- 4) arranging for financing the whole redevelopment process through bond sales.

- 5) entering into a disposition and development agreement with the developer.
- 6) monitoring the developer's working drawings.
- 7) planning and implementing other redevelopment projects adjacent to the Horton site.

The CCDC and its role in this process did not become fully implemented until the new executive director was hired. The person hired was the same person that was responsible for the Plaza Pasadena project. Coincidentally, the developer was the same also. The fact that the developer and the executive director had worked together successfully before greatly aided this project.

To provide the necessary backup information for negotiations, consultants were used extensively.

Both the city and the developer proved their commitment to the project through the number of times they renegotiated agreements rather than "walk away." Although the first disposition and development agreement took two years of negotiation to sign, it has since been revised or amended 13 times. The deal had to be renegotiated several times when circumstances changed that affected the ability of the city or the developer to abide by the terms of the agreement. The staff of CCDC also had to negotiate with city council and various groups opposed to the project in an attempt to



convince them of the benefits of the project to the city. These efforts became even more critical when the council had to approve new or amended agreements. At one point in the project the "whole business deal had to be turned upside down and backwards to find a way to make it work".

### Actors/Roles

There were four primary actors involved in this project: the city council, the mayor, the executive director of CCDC and the business community.

The business community's primary role was in providing strong support for the project through its long evolution. Perhaps the most significant contribution by the business community was a workshop it sponsored on downtown development to explore techniques of development from other cities. As a result of the workshop, the business community put forth a proposal to create a non-profit, autonomous, downtown development corporation, that would allow the private sector to become more involved in downtown development and would create a much more efficient process for handling downtown development. The city council and the mayor agreed that an autonomous public authority would facilitate the development of Horton Plaza as well as downtown. Based on the business community support, the city council approved the creation of the Centre City Development Corporation (CCDC). The appointed members are all business people who have been able to keep political leaders and others focused on the fact that Horton

Plaza was unique.

Once CCDC was created, it was still necessary to have someone with experience in implementing redevelopment projects. Since the city had done minimal redevelopment, there was no one on staff with the desired experience. After a nation-wide search, the director of the Pasadena Redevelopment Authority, who was responsible for Plaza Pasadena, was hired. Once he came into the picture, the project began to move along at a much quicker pace.

It was his experience in redevelopment, as well as his entrepreneurial skills in politics and deal packaging, that helped the project get off dead center. His heavy reliance on professional consultants to provide the necessary information for negotiating the city's position was critical. His skills and experience were also instrumental in the project's ability to survive the many crises that it did.

The mayor, who was a staunch supporter of downtown redevelopment, did everything he could to promote the development of Horton Plaza. He was very clear in his support for downtown as a high priority and even pushed regional and county entities to support the redevelopment of downtown as one of their highest, if not highest, priority.

The city council was an important actor because they had to approve the major changes to the Disposition and Development Agreement (DDA). They were not willing to automatically approve changes. They required well based

reasons for changes they approved -- often despite public opposition. It was also their adoption of the Centre City Redevelopment Plan which was the first official document that outlined the development and design requirements for downtown development, that they proved the city was interested in developing Horton Plaza as part of a greater scheme for downtown. This action was a major signal for the developer, and his prospective tenants, of the city's commitment. The council understood what the costs would be to bring retail back downtown, and as representatives of the public interest, wanted to maintain those costs at as low a level as reasonably possible.

#### The Deal

Total public and private development costs are estimated at \$177 million. Private development costs, including parking facilities are estimated to be around \$140 million.

After a series of renegotiations, in the final deal the city has committed approximately \$33 million for:

- . Land acquisition
- . demolition
- . residential and business relocation
- . infrastructure improvements
- . development of two theatre facilities in the project.

In order to finance its portion, the city utilized a sophisticated public financing strategy that included over \$14.7 million

in tax increment financed bonds; proceeds from the sale of properties for the retail center, hotel and parking; and advances of funds by the city. No federal funds were used for direct project financing, but they were used to fund replacement housing.

A requirement placed on the city as a condition by the developer was the city's commitment to the development of a convention center and nearby market rate housing. The city was aware of the need for improvement of the area around the project and used this requirement as justification for pursuing further redevelopment of the area around Horton Plaza.

The city estimates that its share of revenues from the project will equal \$117.5 million by 2015. These returns include a 10% participation in overage rents, 33% of parking "revenue surplus", a share of the sales tax generated from the project, and new property tax revenue after repayment of bonded debt. Over 3,300 permanent new jobs are expected to be created and 25,000 shoppers are expected to visit the project daily and spend over \$80 million annually.

#### Critical Factors

Certainly the most critical factor that has contributed to this project is the flexibility not only of the city, but of the developer in renegotiating the conditions of the business transaction. This flexibility was a clear indication of the commitment to the project by both the city and the

developer. Either entity could have dropped out of the transaction many times but choose instead to work out a way to make the project work. Part of the reason for this flexibility was the investment in time and money made by both the city and the developer. As time wore on and more money and time was spent on making the project work, it became increasingly difficult to pull out. There were reasons other than financial once the ultimate Horton Plaza scheme was created. The project then became more than a major regional retail center, it became something very unique to San Diego and to the world of retailing. This uniqueness became a driving factor, particularly for the chairman of the development company who purchased \$5 million worth of bonds to keep the project alive. There were points, particularly in the last few renegotiations, where some members of city council were ready to drop out and find a new developer. However, after listening to the reasons for the renegotiations and hearing what the city's new financial role was, the commitment remained with the existing developer.

A major factor for the city was the willingness of the city council to take the necessary risks inherent in this type of project. No doubt the mayor and the executive director of CCDC played a critical role in working with the council to get their support for the many necessary changes in the deal. Another critical factor for the city was the expertise and experience of the executive director of CCDC. It was partly

due to his experience and his commitment to this project that it was successful. His experience from Plaza Pasadena was certainly helpful in his ability to work with the complexities of this project. CCDC provided him with the ability to work outside of the political process in his negotiations. He did have to re-enter the political process with the results of his negotiations but he went with a very well prepared case and support from the Mayor and the business community. The primary objective became to get the project built.

Another factor in this project was the fact that the city chose the developer it wanted to work with. Unlike the previous two cases, this developer was chosen through a competition. The city chose the developer based on their experience in the retail development business, particularly in downtown retail development. The ability of the city to select a developer to enter into a development project with, increases the potential of success for the city. They were able to select from some of the best retail developers. This position for the city also requires that they have clear objectives of what they want in a developer and in the project. It also requires the city to understand what role they play in the process. They are selecting a developer to fulfill certain roles that they cannot. However, there are roles the city can play that the developer cannot. By clearly defining their roles, the city, through CCDC, and the developer helped the process to move along smoothly even in

light of the numerous changes that were made in the initial agreement.

#### FANEUIL HALL MARKETPLACE

Located in Downtown Boston, this specialty/festival center consists of approximately 160 stores and about 220,000 square feet of retail space housed in three, 536 feet-long converted industrial and public market buildings, all of which predate 1826. The project also includes 145,000 square feet of office on the upper levels of the buildings. It is a very active urban marketplace and festival center consisting of specialty shops, varied pushcart vendors, food stores and restaurants designed to attract office workers, residents and tourists. The success of this project is illustrated by the fact that last year it drew more people than Walt Disney World in Florida. It took approximately six years from the inception of the project to its opening date.

#### Motivation/Rational for Involvement

The marketplace buildings as well as most of those surrounding them had become deteriorated and unsightly. Other conditions in the area resulted in limited access to the waterfront. These conditions were contributing to a blighted downtown. The city moved to redevelop the area in such a manner as to retain the historic atmosphere of the area through the rehabilitation of the viable structures. Efforts

to redevelop the market area as private office buildings were turned down. The prime motivating factor came from the Mayor. He was sick and tired of looking out of his window in City Hall at the eyesore that the marketplace had become. It was embarrassing for him to have people in his office able to view such a degrading site in the city. With his encouragement the city moved to do something to take care of the eyesore.

### Organizational Aspects

In order to implement this project, the city utilized its planning and development agency known as the Boston Redevelopment Authority (BRA). This agency ultimately gained a reputation as one of the most extensive and powerful redevelopment agencies in the country.

The marketplace project was part of a designated renewal district for which the BRA used typical renewal agency powers (eminent domain, relocation, etc.) to gain control of the land and buildings.

The BRA used a competition process to select developers for the site. The BRA was aided in its decision-making process by an advisory design review committee and professional financial consultants. In the first designation of a developer, the BRA exhibited its lack of experience in dealing with the complexities of development in marginal areas of the city. They placed extraordinary requirements on the developer, such that they were essentially unachievable. Because of this lack of understanding of development, the BRA revoked the designa-



tion of the developer when they were unable to meet some of the early requirements of the agreement. The willingness to be flexible when agreements ran into difficulty was a key factor in the success of the previous cases.

In order to prevent fires and further deterioration of the structures, the BRA went ahead and contracted for exterior renovations, thereby increasing the city's investment in the project beyond acquisition and relocation.

In the second selection process (which was not operated as formally as the first) the BRA relied more heavily on their own internal analysis of the proposals. Based on their experience from the first competition, the BRA's conditions were less stringent. As the project eventually got underway, the BRA was also much more flexible in dealing with changes and renegotiating to keep the deal alive.

### Actors/Roles

The key actors in this project turned out to be the architect from the first developer team, the Mayor, and the business community.

The architect was instrumental in getting the eventual developer to even consider the project. The architect worked very hard to find a developer that believed in the concept he had created/designed for the market. Once convincing the developer, they both still had to convince the BRA to consider their proposal. The BRA appeared to be strongly favoring

another proposal.

At this point the conservative banking through contacts of the developer, was rallied to push for an open public review of the proposals. It was also through the business community that the person responsible for getting the public review was contacted. This person was the mayor. Once he saw a model of the project, he was convinced it would be the best concept to develop. In the public hearing the business community came out strongly in favor of the architect/developer proposal. Based on this strong support of the business community and the fact that this proposal was financially more attractive than the one the BRA favored, and the fact that the Mayor favored it, the city council unanimously approved it.

When it came time to get the necessary local financing for the project, as required by one of the primary out-of-state lenders, the conservative banking community seemed to retreat. At this point the mayor called on the banks, appealing to their civic duty to put financing into the project. It was embarrassing that out-of-state funds could be secured but that local funds could not. As a result of the pressure from the mayor and other community leaders, the local banks finally contributed to the financing of the project. While outwardly it does not appear that the mayor played that active of a role, it is well known that if the mayor did not like a project, it would not get city approval.

There were two mayors involved in this project, both of

whom were instrumental in stimulating the business community into the actions necessary at the time. The first mayor was able to get the business community to develop a plan for the area around and including Faneuil Hall. The second mayor was the one who was able to get the project built.

### The Deal

Substantial public financing was used to develop this project in return for which the city shares in the overall profits of the marketplace. Ownership and ultimate control of the marketplace rest with the BRA, which has leased the buildings to the developer at \$1 per year for 99 years. By not requiring the developer to pay for land, development costs were reduced to a minimum. Federal funds were used to provide most of the public portion of the project. Some funds were provided by the state for transportation improvements. The public funds were primarily used for property acquisition, relocation of tenants, exterior building improvements, and general public improvements. For its role, the city essentially acts as a limited development partner, sharing a percentage of the marketplaces net cash flow instead of receiving traditional property taxes. The \$17 million public investment is approximately 35% of the total project costs.

The city receives a minimum \$600,000 property tax payment based on a graduated property tax schedule that is tied to a percentage of gross rental income. (Actually based on a definition of net income that was only 66 and 2/3 percent

of the gross rent from retail space). As income rises, so does the property tax payment to the city.

The city has and still receives other returns as a result of the project. Faneuil Hall is credited with sparking a whole resurgence of the area around it. In terms of employment there are estimates of approximately 1800 jobs generated by the marketplace. A net gain of 1580 over the 250 that were lost when the original merchants were moved to make way for the marketplace. Due to the profit sharing basis for tax receipts, the city is receiving property tax revenues at about 10 times the old rate before redevelopment. State sales taxes have been estimated at over \$2.3 million per year.

#### Critical Factors

The role of the Mayor turned out to be the most critical factor for the city. Once he decided that something had to be done with the site, he saw to it that the city moved to get something done. It was this motivation by the Mayor that was also instrumental in the city's selection of the ultimate developer.

The city, in its ability to select the developer, was also able to select the type of development and the likelihood of its success. In the second competition the city had a choice of selecting a developer with little experience and a proposal focusing on the rehabilitation of the buildings as a minor activity center for the city, or selecting a proposal that would not only rehabilitate the buildings but also

provide a major activity center and provide a substantial cash flow for the city. This second proposal was also being put forth by a developer with significant experience in retail development. Because the first proposal really satisfied the needs of the city as originally defined, and because the main staff people knew the developer, they were ready to select it as the winning proposal. However, once the mayor became aware of the second proposal and what it would mean to the city from a financial as well as image standpoint, he moved to encourage the selection of the second proposal. The ability of the city to select the developer for the project placed some of the responsibility for its success on the city. The city in its final decision chose the developer that had experience in the type of development that was being proposed as well as the support of the business community. By using its ability to select a developer that had the necessary experience and financial and community support, as well as the one that was providing the most to the city in terms of cash flow and image enhancement, the city was improving the chance of the project's success.

The Mayor played another significant role in this project when it came time to secure local financing for the project. The developer had received his major financing from an out of state bank that required the remaining financing (approximately 1/3) come from local sources. While the business community supported the project in concept, the

banking element was not willing to put any money into the project. The Mayor was not very excited about the fact that an out-of-state bank was providing the bulk of the financing and the local banks would not provide any. Directly and through his channels, the Mayor was able to appeal to the banks on the grounds of civic responsibility to not only support the project conceptually, but to support it with reasonable financial assistance. The Mayor, using his influence in a calculated manner was able to get the banks to form a pool to provide the necessary funds to get the project going.

#### PIKE PLACE MARKET

The Pike Place Market is a unique urban retail market-place located in downtown Seattle, Washington. Unlike the "new" urban festival marketplaces, Pike Place Market is an authentic retail, food and farmers market. Originally built in 1907, renovations began in 1971 after the Market was designated as an historic district. The Market provides a mix of retail uses including food service, specialty crafts, gifts, collectibles, secondhand merchandise, and some services. Social service agencies, including a clinic, senior center, and a day care center are also part of the Market. The tenants of the Market are entirely owner-operated establishments. No regional or national chain stores are allowed in the market and no major store serves as a

traditional anchor.

### Motivation/Rational for Involvement

The Market was at one time a very lively part of the city. It had operated primarily as a wholesale farmers market but eventually the variety of goods that were available increased. As time went on and farming methods and cost changed, the market began to lose its level of activity. It eventually became very deteriorated and in need of major repairs. Those who wanted to raze the Market and replace it with new office buildings (the city and the business community) described the Market as a "decadent, somnolent fire-trap". Those who wanted to save the Market (the citizenry) had a much different view. They saw the Market as "embodying a sense of values threatened by modern society ... and honest place in a phony time." There were two motivating factors battling to govern the development of the Market. The factor that eventually won out had nothing to do with economic development as was often at least part of the motivation in the previous cases. The primary goal was to save an essential part of the life of the city.

### Organizational Aspects

The Pike Place Market Preservation and Development Authority (PDA) was created to revitalize the Market and manage its day-to-day activities. The seven-acre market has been designated an historic district and is also part of a larger urban renewal area which made it eligible for federal

aid and local funding. The PDA performs its work under the guidance of the Historical Commission.

The Historical Commission was established to oversee the seven acre historic district. The powers of the commission are broad and allow them to regulate the uses and developmnet within the district. They were also required to approve the plan for the redevelopment of the district prior to city council approval. The Historical Commission oversees the PDA through its policies and review procedures.

The PDA was formed because many felt that an independent agency might have more credibility with the public, especially in light of the city's original opposition to the project. There were also many advantages to the city in having a separate authority. It would not involve the city council in any of the often sensitive tenant/landlord issues or their day-to-day demands and disputes. The city also saw the authority as an organization that could combine some of the strengths of both a private developer and a public development agency.

The PDA utilized a consultant to assess financial feasibility of the rehabilitation and development of buildings in the project area. The consultant also evaluated financial mechanisms and commercial use limits. The recommendations of the consultant were used as a basis for the eventual financing and management of the project. The PDAs initial approach to project financing was to provide "gap financing". Later in



the project other forms were utilized including equity syndication.

The PDA also used the city, primarily the Department of Community Development (DCD) for a variety of services. It is also the city's role to serve an oversight role, monitoring the PDAs finances and accounting.

### The Deal

The PDA acts as a developer of last resort, restoring portions of the Market that are not economically viable for the private sector to undertake. It just so happens that most of the market is not economically viable for the private sector so PDA has done most of the development.

Buildings owned and operated by the PDA were rehabilitated and brought up to code requirements by the PDA and subsidized by the city through a capital grant. \$80 million of federal funds were used in this project. The city acting as the urban renewal agent has channeled funds into the historic district to improve streets, sewers and sidewalks and to acquire property for redevelopment.

Rents are kept at a much lower level than would be normal in order to support businesses that would not be competitive in a normal situation. Despite the lack of a priority on economic development, the project has generated significant sales and stimulated additional development.

### Actors/Roles

The actors responsible for the success of this project

were not affiliated with the city or the business community. This particular case is very different from those reviewed previously. In those cases it was a public or private sector leader that significantly contributed to the success of the project. The primary actors responsible for the success of this project were the coalitions of citizens that battled the city and the business community to win the voters approval for saving Pike Place Market. Opposed by nearly all the elected officials of the city, the editorial voices of both major newspapers, and the entire downtown business community, the citizens initiative to save the Market won by 60% voter approval.

It was some of the same organized citizenry that fought to save the Market that also formulated the concept for the PDA, and actively participated in a continuing process to make sure the Market was saved. The Mayor, although one of the leaders in the fight to raze the Market, was quick to provide his support to the project after the referendum. The business community was not so quick however. The downtown interests, while not doing anything to harm the efforts to restore the Market, did nothing to help it either. Despite this lack of support, the organization that represents the organized downtown business community claims credit for some of the Market's success.

#### Critical Factors

The obvious critical factor in this case was the role

played not by the city or the business community, but the role played by the citizens. The Mayor and the business community felt they could win the efforts to raze the Market in traditional urban renewal fashion. Had they recognized the significance of the Market to the community, a good deal of time, money and effort could have been saved and re-directed into the market in the first place.

In the previous cases citizens did not play a significant active role in the projects. In Plaza Pasadena they did come close however. In that case the city was able to find another method of dealing with the project that was not open to citizen efforts. In the previous cases, the city council and/or the Mayor were able to represent the public interest without significant citizen opposition.

When the citizens won the referendum to save the Market, the Mayor altered his role to one of support. Since it was clear what the public interest was, the Mayor, the city council and city staff started to search for methods to make the project work. This time they did not forget to include the citizens in the project planning process. This continued citizen participation in the planning as well as in the implementation process, was further insured by the citizens themselves. Efforts to include major business leaders in the process proved futile however.

Summary: Common Principles/Elements

It should be noted that these projects are all projects of the 1970s. They were part of a series of efforts on the heels of urban renewal, an effort that experienced many problems. These projects were representative of a new approach to downtown development. Rather than pursuing the traditional contractual arrangements whereby the deal would usually be nullified on the basis of non-performance, the cities were more selective in who they chose to enter in development agreements with. The projects still had some of the old urban renewal aspects about them however. In all of the projects the city had acquired the property through eminent domain. In three cases the sites were left over from an old urban renewal project. This is where much of the similarity ceases however. The cities were essentially masters of their own destiny. Perhaps the key difference in these projects from the traditional urban renewal projects of the 1960s was the active role the city played in whole development effort. Both the developer and the city worked together from the beginning of the project to see it through to its completion. Another major difference was that the city was using more than just federal dollars in the project. In two cases, no federal dollars were used. This increased the cities investment in seeing the project through as a success.

The new project of the 1980s will be different from the project of the 1970s. With the loss of federal funding

cities are going to have to find new methods to stimulate and participate in downtown development projects. There are, however, many lessons that can be learned from these projects. Based on a review of the case studies, several key principles (elements) can be derived that could be applied to future projects in other cities. These principles are not intended to be exhaustive nor are they the only principles a city should be aware of. Every potential public-private development partnership has unique aspects that cannot be universally applied.

One of the first elements is motivation. Why is the city participating in the project? What basis does the city have for the project and for participating in the project? In all but one case the city was motivated by a situation of "crisis" or embarrassment. The cities were participating in the projects in hopes of capturing severely needed tax dollars and jobs as well as to improve a somewhat tarnished image of downtown. In the Pike Place case, motivation was similar to the other cases in that the goal was to save an essential part of the city. This clear, well-established motivation helped the city maintain its commitment throughout what was often a long process. Due to the potential length of the process, it is critical that the motivation be strong enough to withstand several changes in administration. Probably the key to the strength of a city's motivation, and therefore its commitment, is the ultimate goal it is trying to achieve through partici-

pation in the project. In all the cases a major goal for city participation in a project was to provide a stimulus for further redevelopment of downtown. In no case was the city participating for only the traditional real estate returns on the project.

Another key element tied to the cities strength of motivation and committment is flexibility. Because of the long drawn out process associated with these projects, their success depended on the willingness of both the city and the developer to renegotiate when conditions changed to affect the feasibility of the project. This flexibiity to renegotiate on the city's part was because of its committment to what the project meant for the city. There are, of course, limits to flexibility and the city needs to be aware of how far it can go before it loses its ability to maintain a reasonable economic role in the project. A key to being flexible is the trust between the city and the developer. There had to be substantial justification for the changes. Another contributing factor to flexibility was the investment in the project at the time of the renegotiation. There was usually a substantial investment in the project by both the developer and the city. Because of this investment, both parties were encouraged to create a new arrangement when conditions changed to affect the feasibility of the project.

A third key element was organization. If the city did not have the capability or the efficiency necessary to handle

the project, they made changes so they could. In some cases it meant re-organization of some kind, in others it meant the use of consultants to provide essential backup information, and in others it meant both. In all cases the city somehow enhanced its ability to deal with the many aspects of the development process, thereby improving their ability to negotiate in the public interest.

A fourth key element turned out to be the role of the business community. In all the cases the business community played some role in the ultimate success or initiation of the project. Some of the assistance they provided included such activities as; providing resources for planning studies; actively promoting the city/project to potential developers in an effort to secure one; forming investment groups to help finance projects; assisting in creating and nurturing support for projects, and many other types of assistance. Except for the Pike Place case, the business community role ultimately enhanced the project. It would appear from the cases therefore, that the focused involvement of the business community in projects of this nature will most likely improve their chances of success.

A fifth key element was the investment strategy/goals of the city in the project. In all the cases except Pike Place, the cities were at least considering economic development as an objective. They were striving for an improved property and sales tax base, increased job opportunities, and spinoff

development. In two of the cases however, this goal was supplemented by a strategy that called for a direct cash return on the city's investment. In some cases the city did not have a well defined investment strategy or any goals relating to their cash investment. The primary objective was to get the project completed and provide public assistance to do it. In all cases public assistance was necessary because the city was restricting the maximum utilization of the site. Rather than have the developers build dense, high return office buildings, the city wanted less dense shopping activities that could not work without financial assistance.

The sixth key element was the cities ability to select the developer that they were going to work with. Whether through a competition or direct negotiation, the city in its selection of a developer was able to select the one with what they felt were the necessary qualities to accomplish the project successfully. The city was able to select the developer because they were in control of the land on which the project was to be constructed. The key however, is that the city selected the developer that they were going to share the public's resources with. This is a concept that can apply even in situations where the city does not control the land.

The seventh element and the one that ties all the other elements together is leadership. What is leadership? In the book, Public-Private Partnership in American Cities: (1982, Fosler & Berger) Lyall defines it as "the willingness



to step in and take responsibility for solving a problem or overcoming an obstacle." Based on these case studies and other readings, I believe that leadership also includes the willingness to step back and share in the responsibility for solving a problem or overcoming an obstacle, or in other terms, to know when to be led, or at least help in the leading. In terms of these cases, there were some more specific characteristics that the leaders portrayed including:

- . the ability to garner support for the project and maintain that support. This often required skills in building and nurturing coalitions to provide the necessary support,
- . the ability to create a vision for the project and the success of the project and to communicate that vision,
- . the ability to maintain the vision through the turmoil it may experience,
- . the ability to stimulate people into action in order to accomplish the project,
- . the ability to bring people together to mediate and help solve disputes,
- . the ability to see beyond this project to others that are related.

In most of the cases there were phases of leadership. These phases usually started with the business community and were then transferred to the city -- usually the Mayor. During and after the transfer however, there were still leadership roles played by the business community and other actors in the city -- usually the city council. The complementary leadership roles that these actors played is

what contributed to the success of the projects. It was up to the business community to build the necessary support to get the public sector to participate. However, when the leadership responsibility shifted to the public sector, the business community still had leadership responsibilities of its own. The primary responsibility of the business community was to complement the public leadership in efforts to maintain and build support for the project, particularly when the project ran in to problems. While at the same time, it was the public sectors responsibility to continue to nurture as well as build more support -- public and private. The primary public sector leadership role was played by the Mayor. It was his role to decide if the city should even participate in such a project and if so, how much should the city be willing to put into such a project.

Through a combination of these leaders, but primarily through the city leader, motivation was generated and maintained, commitment and flexibility was supported and substantiated, key actors in both sectors were stimulated to fulfill their critical roles, the city organized itself to operate as a more effective partner in the development process and fulfilled their investment strategy/goals by working with the developer they selected. Because of this leader, the critical factors that were necessary for the city to successfully accomplish the project fell into place.

## CHAPTER 2: THE DENVER SITUATION

### Introduction

This chapter will briefly discuss the background of the downtown Denver retail project. The chapter will then focus on an analysis of the project utilizing the same framework from Chapter 1;

- 1) Motivation/Rationale for Involvement
- 2) Organizational Aspects
- 3) Actors/Roles
- 4) The Deal
- 5) Critical factors

Due to the fact that negotiations are in progress and no firm commitments have been agreed to by the city or the developer, the analysis will only be able to evaluate the project as it currently stands. The next chapter will focus on strategies for the city.

The Centerstone retail project is currently in early stages of planning and design. The project is located in the heart of downtown Denver on a two block area adjacent to the 16th Street Mall, the retail center of downtown. The City of Denver and the developers for the project, Oxford-Ansco and The Reliance Development Group, have begun preliminary official negotiations, although informal negotiations have been in process for several years. The informal negotiations were primarily between the developers and the Denver Partnership, a private sector non-profit downtown development organization.

These informal negotiations focused primarily on design issues, tenant strategies, public relations and process facilitation. Preliminary schematic designs have been prepared for the site by the Jerde Partnership of Los Angeles (the designers of Horton Plaza in San Diego).

It's no secret that there is intense competition among six developers in the Denver metropolitan area to land the area's first high fashion department store, Saks Fifth Avenue or Neiman Marcus in their project. It will require a special effort to put a downtown location in a position to win the competition.

#### PROJECT DESCRIPTION

The project as currently planned would take two city blocks with a portion of the project spanning, as well as extending below, the street that separates the blocks. The project will ultimately consist of a 500,000 square foot urban mall on 4 levels and two 650,000 square foot office towers, one anchored on each block, of at least 30 stories each. The towers will sit on top of the retail portion of the project. The retail portion of the project is planned to include two high-end anchor retailers and approximately 100 shops with restaurants and theatres. Three levels of underground parking will provide approximately 2,300 spaces. The total cost of the project is estimated to be approximately \$350 million. (Note: See appendix for graphics of project.)

Because the downtown office market is considerably overbuilt, the project is currently planned to be built in two or three phases. The first phase would include the entire retail portion of the project. Due to the design of the project, the first phase will have to include the underground parking and the base superstructure for the office towers, including elevator cores. The second phase would include at least one of the office towers, possibly both, depending on the market. The third phase would include the second office tower if not completed in the second phase.

There are two major developers involved in the project, each owning or controlling approximately half the project area. One is Oxford-Ansco, which purchased almost half the project area at a time when land values were near their peak in Denver. The Oxford-Ansco land price is assumed to be approximately \$400 to \$500 per sq. ft. The other major developer is the Reliance Development Group, which has 135 years remaining on a ground lease from an old Denver family. It appears that Oxford-Ansco suffers greater liability from its involvement in their land than does Reliance.

The Reliance Development Group, based in New York City, has developed one other office building in downtown Denver, the 650,000 sq. ft. Amoco building. They purchased their interest in the project area with the intention of building another office building.

Oxford-Ansco is a partnership between Oxford Properties

of Edmonton and Phillip Anschutz, a local oil and real estate investor. Anschutz is a silent partner. Like Reliance, Oxford-Ansco purchased its site with the intention of building an office tower.

Denver is currently experiencing a 20% office vacancy rate. Because of this situation it will be necessary to financially structure the retail phase of the project so that it will be feasible without the office space, at least in the short run. In order to make the retail phase competitive with outlying proposed retail projects, in terms of development costs, it will be necessary for the City of Denver (or some form of the public/non-profit sector) to participate in the project, financially and/or otherwise.

The City is currently exploring its form of participation in the project. A consultant has been hired to perform a market study of the downtown as well as the competing sites. The same consultant is also preparing a proforma analysis of the project and assisting the city in its negotiations.

#### Motivation/Rationale for Involvement

Unlike the cities reviewed in Chapter 1, there is not an overwhelming feeling of crisis or embarrassment to motivate the city to participate in this project. The general feeling about the downtown among the longer tenured city council members and civic leaders is a very positive one. They speak of watching downtown slowly bringing itself back to the sort

of place it was years ago -- a place with people.

There is, however, a general feeling that more needs to be done to continue the revitalization of downtown. Recently the focus has been on attracting major high-end retailers to locate downtown. There is currently a perceived competition among six sites in the metropolitan area to secure the "longed for" high-end retailer. This perceived competition has served to generate a sense of urgency among downtown interests to be the first to secure the high-end retailer.

The opening of a major high-end retail outlet, or two, in downtown is viewed a critical piece of the continuing effort to revitalize downtown. Within the business community there is sort of a sense of crisis regarding the efforts to secure a high-end retailer downtown. The reason for this is that due to the unique nature of the sought after high-end retailer and the Denver market, it is believed that wherever they locate will become "the" major retail location. It will become "the" major location because other unique complementary retail activities will locate near the high-end retailer, making other locations less desirable. If downtown is unsuccessful in securing a high-end retailer to provide further stimulus to retail development and therefore a stronger position for downtown in the regional market, it is felt that downtown will be setback several years in its revitalization efforts. This situation is further intensified by the fact that the leading site in the competition for the high-end

retailer is only 2 1/2 miles from downtown. If the high-end retailer locates at this site, known as Cherry Creek, it is believed by some that downtown would suffer severely as a general retail location not just a high-end location. The Cherry Creek location is planned to have 1.2 million square feet of retail space with 4-6 major anchors, one of which will be a high-end retailer. This amount of retail space alone, this close to downtown is seen as a major threat to the future of downtown as a desirable retail site. A major factor in the Cherry Creek project's favor is the site's historical role as a major central retail location. There is an existing center on the site that when originally constructed, was the first open mall shopping center in the country. The existing center will be razed to make room for the new center. There are some, however, that don't see the Cherry Creek project as a threat. They see the project as perhaps helping the downtown as a high-end retail location in the long run. It has been noted that high-end retailers like to locate close to one another, but not necessarily in the same project. It is unlikely that Neiman Marcus and Saks Fifth Avenue, for instance, would locate in the same project, although they would still like to be close to one another. If one locates in Cherry Creek, the downtown location would still be close enough for the other. If the Cherry Creek site is developed first, then efforts could be focused on improving downtown as a residential neighborhood, which would enhance its



desirability as a retail location.

There are the general economic development motivators of increased sales and property tax, jobs, spinoff development, etc. to encourage the city to participate in the project. These motivators are further enhanced by the fact that because of federal cutbacks, the city will have \$25 million less in its general fund this year. This deficit will continue for the next several years and possibly increase. Though this deficit is not a major motivator for the downtown site, it certainly has a role. It should be noted that 3 of the 6 competing sites for the high-end retailers are within the city limits of Denver. This means that realistically, despite a publicly announced mayoral policy advocating the downtown site, the city must be careful not to alienate the retailers and cause them to locate outside of the city limits.

The city has not adopted a formal retail strategy or up-to-date downtown plan that places the project or future projects into any sort of context or provides goals and objectives for the city in pursuing these types of projects. The city and the business community is, however, in the process of jointly formulating a public/private Downtown Plan and Civic Development Strategy that will provide a context for future downtown development. Despite the lack of a formal retail strategy for downtown (a formal strategy has been developed by the business community) the mayor has publicly announced a policy that advocates the placement of major high-

end retailers downtown.

### Organizational Aspects

The primary city staff people working on the project include a key mayoral assistant who is the city's prime negotiator, the Director of Downtown Development and the Director of Finance. The city is utilizing a professional consultant to help provide technical and strategic support.

The consultant has prepared an extensive market analysis for the project. His analysis includes an overview of the markets for the competing sites as well. The consultant has also prepared an extensive proforma analysis of the project to use as a basis for negotiating the city's participation in the project. The consultant that the city is utilizing was chosen for his ability to assess the retail market, conduct project feasibility analysis, and package financial requirements of the project. The consultant was also chosen because of his knowledge of some of the major retailers and their needs. The major areas where the consultant lacks direct experience are in working from the public sector viewpoint, as well as in working on public/private downtown retail projects. One of the primary roles of the consultant is to help the city develop an investment strategy for public participation in the project. While the financial consultants used in three of the cases in Chapter one had extensive private experience, they also had significant experience in advising the public sector. It was

the ability to see the needs of the project from "both sides of the table" that made those consultants so valuable to the process. The private sector orientation of the city's consultant in Denver will certainly provide critical insight, but the lack of public sector experience may hinder their ability to appreciate, and therefore, negotiate a public role in development.

Negotiations thus far have been in two parts. The city's consultant meets alone with the developer to discuss "numbers" and represent the city's position in the negotiations. The city's prime negotiator in this project also meets separately with the developer to further lay a base for city participation in the project.

The city recently reorganized several related functions to be under the supervision of one director. The city's planning director became the Director of Planning and Economic Development. The position includes responsibility over the Zoning Administration, the Community Development Agency as well as the Planning Office and economic development. The reorganization was primarily to improve efficiency and coordination between the departments. The changes did not specifically do anything to help the city in its ability to negotiate and implement its participation in this project or others like it. The city does have an urban renewal authority, however, it is not involved in the project currently nor has a role been defined for it in the future.

## Actors/Roles

There are four primary actors in this project: the city council, the city administration (the mayor and his staff), the developer, and the downtown business community.

Unlike the previous cases reviewed, there is a clear dichotomy between the city council and the mayor. While there were definite conflicts from time to time in the cases, there was still an apparent overall level of cooperation between the two. Such is not the case in Denver, a condition that could jeopardize this project and has already jeopardized others.

City Council: The city council will play an important role in this process because they will have to approve any agreement the city enters into with the developer of the project. Based on the experience of the city council and the mayor on other projects of similar complexity, there may be difficulty getting the necessary support. Of the 13 council members, only 5 can be considered allies of the Mayor.

There are some council members who understand the need for public participation in the project and will potentially support it. There are some who will fight any public support at all. There are probably some who will fight the project because its something the mayor has worked hard on, and will use any excuse to oppose the project. There are also some council members that are planning to run for mayor in the next election. These members will potentially attempt to defeat

the project in order to make the mayor look unproductive, and improve their position in the election.

Council members have openly voiced displeasure with their working relationship with the mayor and his administration in general, as well as with specific members of his administration.

Despite all the problems of the past, there is still a flicker of possibility that the mayor and the council can get together on this project.

The council recently created a special council committee specifically to deal with downtown issues.

The council membership is made up of neighborhood oriented interests. There are no strong downtown business community interests on the council. This make-up has often caused problems between the downtown business community and the council when dealing with downtown oriented issues. The working relationship between council and the downtown business community, like the one between the council and the mayor, has not been a smooth one by any means.

The Mayor and his Administration: The mayor defeated the incumbent of 14 years on a platform of "Imagine a Great City." The mayor's strength in winning the election was in his ability to build the support of a broad base of neighborhood and business interests.

One of the mayor's campaign promises was to reinvolve the community in city government. In an effort to accomplish

this he has utilized a committee process for tackling major development issues as well as to recommend candidates for key staff positions.

His efforts to exert leadership on major development issues have been met with much opposition by the council. Some opposition and controversy associated with major issues can be healthy. However, it can also be destructive.

In three of the cases reviewed, the mayor was a major actor in the events surrounding the success of the projects. It was the mayor that had the vision, the ability to gain the support and cooperation of the business community as well as the city council. In this case, the city, through the mayor has assumed the lead role in the process of determining what the city can do to make this project successful. The mayor of Denver, however, will have a tough time achieving the success of the mayors in the cases, unless the city council support can be attained.

The Downtown Business Community: The major downtown business interests have organized into a very powerful entity called the Denver Partnership Inc. This group has multiple capabilities and functions. It provides lobbying on behalf of downtown interests, manages the maintenance and operation of major public facilities (the 16th Street Mall, the DCPA, Skyline Park), has a planning and urban design staff as well as development packaging expertise.

The Partnership has been involved in this project for

some time. They are credited with generating the original concept as part of a retail strategy they developed through staff, consultants and members. Through the efforts of the Partnership, the two developers that control the separate sites were brought together to create the project partnership that now exists. In order to bring the developers together, the president of the Partnership and the Director of Civic Design and Development for the Partnership, met with them individually to discuss the master concept for their property. Eventually the meetings were held with both of the developers together resulting in the current joint effort. Without the facilitative role that the Partnership played through the creation and communication of the concept plan for the project, it is highly unlikely that the developers would have ever taken the initiative to do the project on their own. The Partnership was also very active in approaching the major high-end retailers and marketing downtown as a viable location for their outlets. For these efforts, the Partnership suggested to the developers that they receive an equity position in the project. When compared with the cases as well as projects in other cities, this request was quite out of the ordinary for downtown interests, organized or otherwise. In the other cases, majority business interests were more than willing to do what they could to facilitate the success of a project of this nature. Services that business communities in other cities provided ranged from actively seeking developers

to assisting in leasing efforts, to providing cash as investors to improve the financial feasibility of the project. The business communities saw their returns through revitalized businesses and property values for their efforts. This request by the Partnership appears quite ironic. On the one hand the business community speaks of the desperate need to get the high-end retailer located downtown and of the need for public subsidy to do it, and on the other hand they are asking for a "piece of the action" in a project that needs all the help it can get, and that would unquestionably benefit their constituency, without accepting any of the risk. True, they have provided services of some sort to the project but the question really relates to the goals and purpose of the Partnership in serving their constituency.

The Partnership has also paid for market studies to substantiate the market for high-end retail downtown. They have also paid for numerous studies (impact, community design, traffic, etc.) of the major competing site, Cherry Creek.

Another critical role the Partnership played in the concept design of the project was the introduction of a retail-oriented architect to design the shopping areas. The developers agreed to use the Jerde Partnership for the retail portion of the project and select an office architect later.

It appears that the strategy of the Partnership has developed into a focused effort to "defeat" the Cherry Creek site as an alternative site for high-end retailers, rather



than focusing on methods of business community participation to make the downtown project feasible.

The role of the business community in this project has changed to a passive one directly, yet very active indirectly. The "direct" role of the Partnership has changed considerably now that the city has taken the lead in the project. The efforts of the Partnership are centered on the maintenance of private sector support for the project, as well as continued lobbying of city council and administration. The lobbying generally takes the form of formal or informal meetings of key Partnership staff and members, with council and administration members. Indirectly, the Partnership is very busy working to improve the downtown retail project by focusing considerable resources on strategies to "defeat" the Cherry Creek project. The Partnership design staff has been developing alternative development schemes that would be more appropriate to the Cherry Creek site than a super regional shopping center. Some of these early schemes were created in full cooperation and participation of the neighborhoods surrounding the site. Although their concepts are unquestionably more appropriate from an urban design perspective they are not necessarily welcomed with open arms. Many of the Cherry Creek business interests are very enthusiastic about the prospects of a new shopping center next to their businesses. The neighborhood interests, however, are very concerned about the impact of the center on the quality of their neighborhoods. While the

Denver Partnership represents the majority of the downtown business interests, there are other organized groups in downtown. The two primary groups are the Downtown Residents Organization and the Lower Downtown Property Owners Association. These two organizations are usually closely allied with the Partnership on major issues. There is another organization, the Downtown Neighborhood Association (DNA), that was formed to oppose the site selected for the new convention center. The DNA represented disgruntled property owners that wanted the new convention center located in the area where they owned property. The DNA is not a very powerful group nor is it closely allied with the Partnership.

#### The Deal

There is a major difference between the type of deal being negotiated for this project and those covered in the cases. In this situation, the developers control the land not the city. Further complicating the situation is the fact that the developers gained control of their land when prices were \$400 to \$500 per square foot. This makes the likelihood of a land write-down unreasonable. Another dissimilarity is the use of federal funds. In three of the cases, federal funds played a significant role in the public portion of the project. There will most likely be no use of federal funds in this project. The other two cases utilized tax increment financing.

The current city strategy is to get the developers to

realize a return on the land portion of the project through the completion of phases II and III, the office towers. In the city's proforma analysis for the project they are not including the cost of the land. It is also interesting to note that the developer is not revealing what their land costs are. The city is also adamant about not participating in any cost element of the office portion of the project, feeling that it would not be in the public interest.

The developer has been looking to the city to provide up to \$50 million to the project. Their approach to the city has been as to an "open cookie jar", seemingly expecting the cash and support as givens. The city, however, is approaching the project much differently. It wants to "invest" in the project only if it will receive substantial returns, financial and/or economic development.

Options that the city is exploring for its participation in the project include:

- . the use of all or a portion of approximately \$20 million cash available through urban renewal close-out procedures
- . the use of tax increment financing
  - the city wants to keep size of district to the area of the project
  - the business community is in favor of a larger district, up to the size of the entire CBD
- . build a parking garage
  - city wants any garage it pays

for limited to users of retail  
portion of project

- developer wants the garage to be  
available to office users also.

In order to use tax increment financing, the city will have to issue a finding of blight. Depending on the size of the district and on the justification for the boundaries, there could be some major political problems. In California, the courts have been extremely lenient in what they have allowed cities to consider blight. They have basically deferred to the locality and have upheld most findings of blight on the basis that the communities can better define blight than the courts. The Colorado courts may be the least of the problems in this case however. There will undoubtedly be political problems with finding blight conditions adjacent to the 16th Street Mall, with land values estimated at \$400 to \$800 per square foot. There has also been discussion about encouraging the participation of another developer in the project. There would be definite advantages in getting the involvement of a major retail developer that could provide the necessary expertise and connections to improve the likelihood of attracting a high-end retailer.

#### Critical Factors

At the current stage of the project, there are some critical factors that have contributed to the project's "success" thus far. There are also some critical factors that are hindering the ultimate success of the project.

The factors that have contributed to the "success" of the project thus far have been oriented around the role of the business community. Their active marketing of downtown and the project has been credited with putting the downtown location in the competition for the high-end retailer. Prior to any action by the downtown business interests, downtown was totally out of consideration. The business interests were also instrumental in facilitating the two developers of the project entering into a agreement to jointly develop their sites. They were also responsible for getting the developers to use an architect with the type of retail design experience necessary for this type of project.

Another critical factor contributing to the "success" is the role of the city, led by the mayor. The mayor understands the necessity of public participation in the project and is willing to search for ways to make the project work. This leadership role by the mayor will be the key to the ultimate success of the project.

The main factor hindering the success of the project is the friction between the mayor, including his administration, and the city council. In order for this project to succeed there is going to have to be an improved relationship between the two.

Another factor hindering the success is the city's financial situation and the high cost of land in the project. In the cases reviewed, the cities were able to write down land

costs for the developers. In this case that will not be possible. This situation will require the city to be much more creative in structuring their financial contribution to the project. Because of this required creativity, there is going to have to be strong motivation on the part of the city to maintain their committment through some potentially heated controversy.

### CHAPTER 3: RECOMMENDATIONS

To quickly review the current status of the Centerstone project, the City and the developer are still engaged in negotiations over the city's role in the project. There have been no agreements reached as to what the city's contribution will be to the project or what form the city's returns will take. The developer has determined that it needs a city contribution "in the range of \$50 million." The developer will not reveal the exact amount of a minimum contribution it feels it needs or where in the "range" the \$50 million falls. There have been estimates by people generally familiar with the project that place the minimum amount needed by the developer at \$90 million. There are others, however, who estimate the minimum amount closer to \$25 million. This contribution, the form it takes and what returns the city will receive, are the issues currently being negotiated. At this time, the city is in no way legally nor financially committed to this project. It has committed staff, and resources for a consultant, to try and negotiate a role for the city to make the project viable.

This chapter will attempt to outline a set of recommendations that considered together, will represent a potential strategy for the city to use in dealing with the Centerstone project. The recommendations will be based on the key elements identified in Chapter 1. Those elements were:

- 1) Motivation
- 2) Organization
- 3) Flexibility
- 4) Role of the business community
- 5) Investment Strategy/goals
- 6) Leadership

For each of the above elements, there will be a general discussion of strategy, followed by more specific recommendations for the Mayor's action.

Motivation: All the primary actors need a common reason for lending their support and energy to this project and the arrangement necessary to make it successful. Individually, there may be a multitude of reasons for each actor to participate. There is some motivating factor however, that needs to be present to provide a common thread to bind the project between the actors. This common thread of motivation will be essential in order to get the project underway and to provide continual support through periods of controversy and opposition. In the cases motivation was rooted in crisis or embarrassment. This is not the case for this project -- yet. A great deal of public and private investment has been placed downtown yet it continues to flounder. The fact that it has to fight in this competition is a clear indicator that downtown is still struggling for success. All the actors involved need to focus on the primary goal of improving and enhancing the investments they currently have in downtown. For the city those investments include infrastructure,



services and facilities. Perhaps more critical to the city's investment is the role of downtown in the city's economy. A significant portion of the city's revenues are derived from sales and property taxes generated downtown. With the loss of federal funding, this tax base is going to become even more important. Efforts to enhance that base will undoubtedly result in improved returns to the city. The public has already invested substantially in downtown through the \$72 million Sixteenth Street Mall, the Skyline Urban Renewal Project, the Denver Center for the Performing Arts and other public facilities. In the case studies, the cities received economic development returns in the form of increased tax revenues, jobs as well as additional spinoff development. There is great potential that this project will do the same for down-town Denver, however, this potential needs to be quantified and estimated in order to help create some motivation. While members of city council have voiced support for city involvement in this type of project, they have also said that the investment must make sense. The quantification of potential benefits will help make some of the "sense."

For the downtown business community, their investments are in their businesses and in their property. Returns to them will be an increase in the value of both.

Another motivating factor for participating in this project is the image impact on downtown. In the case studies this was one of the main motivating factors. Although

downtown Denver is not in the same state of deterioration as those cities, its image as the major Rocky Mountain regional center is rapidly being taken away by the extensive suburban development taking place around the city. This project could help the city to regain its role as the undisputed center of the region and polish the tarnished "crown" of the "Queen City of the Plains." Whatever the motivation, the city council, the business community, and potentially neighborhood interests need to have enough of it to work in a cooperative manner to provide the necessary support to make the project successful.

The level of motivation present will determine in a large part how creative the city can be in its participation in the development. The actors also need an understanding of the risk/reward relationship of participating or not participating in this project.

Motivation/Recommendations: The following recommendations will help to strengthen and build the necessary motivation for this project.

1) Create a context for the project greater than the 16th Street Mall. If this is not accomplished through the Downtown Plan, then a more specific development plan needs to be created that will. The plan should articulate how the retail project (Centerstone and others) fits into an overall scheme for the continued revitalization of downtown. The plan should show how other potential projects (retail, office, residential, etc.) will relate to one another. It needs to be

clear that this is not a piecemeal attempt to bring some life into downtown but that it is instead part of a larger cohesive effort to revitalize downtown. A critical part of the plan is its adoption and acceptance by the city council and the downtown interests.

2) Quantify the benefits of the project. Identify and quantify how the project will benefit downtown and the city as a whole. The increase in jobs, property and sales tax revenues that are directly related to the project should be estimated. Of equal importance are the estimates of spinoff development impacts and potential. What will this project do for other projects that are planned? What will it do for the existing retail trade downtown? What other sorts of development will be stimulated as a result of this project? How will this project, and the others it may stimulate, affect the "quality of life", the image of downtown. Comparisons should be made to the impact of Cherry Creek on city revenues. While the Cherry Creek project alone may generate more sales tax revenues than the downtown project alone, comparisons need to be made of the impacts on traffic, neighborhoods, infrastructure, as well as of the potential for spinoff development. Compare the potential for spinoff development as a result of both projects and show how the downtown project, as part of a plan for other projects, will generate more benefits for the city than the Cherry Creek project. This is not to say that the city should object to the redevelopment of

Cherry Creek. The city should seek a balanced approach to the development and goals of downtown and Cherry Creek. To help communicate the impact of the retail project on downtown, a variety of scenarios could be created that would show the potential impacts on downtown.

It would be premature at this point to address the project specific financial returns that the city may receive. To address the concept would be appropriate, however.

3) Seek out City Council: While the first two recommendations will surely help to build some motivation among council members, only they know for sure what it will take to really get them motivated. Through one-on-one sessions with the individual council members or in work sessions with all of them, or a combination of both, the mayor needs to find out from council what it will take to get their support. Where there are points of disagreement or general non-support, the mayor needs to act as a mediator and develop a point of consensus. Through this process a certain amount of "ownership" should be created among council so that they will have an interest in seeing the project through.

4) Seek out the business community: The business community appears to have no lack of motivation. They are the ones primarily responsible for the project up until now. What kind of continued support can the mayor expect from the business community? Are there factions within the downtown community that may present a problem and need additional

efforts to gain their support?

Organization: The continued utilization of a consultant by the city to provide the necessary technical and experiential backup is essential. It may be necessary to use additional consultants with expertise in tax increment finance analysis, economic development impact analysis, specialized legal assistance, etc. The city should not hesitate to use specialized consultants for assistance in the areas it lacks expertise.

The city needs to consider how it can best facilitate and implement this project as well as others in the downtown area. There will most likely still be a need for public involvement in other types of real estate development downtown. The city also needs to consider how it can create a process that will take into consideration the interests of the public and private sectors when pursuing involvement in development. The city's creation of a non-profit, autonomous, development corporation that would be made up of city and downtown interests, may be the best alternative. The entity, working on the basis of a plan (currently being developed) could pursue the continued revitalization of downtown by creatively utilizing public finance techniques. The support for the entity could be derived from a combination of public and private funds. In order to keep the staff down to a minimum, the entity could utilize consultants to provide the

necessary analysis and backup information for negotiating public roles in development. The entity would be able to provide the necessary consistency to follow a project through to its completion. This separate entity may also help to resolve some of the problems between the council and the mayor, provided the council has a role in its creation. This entity, organized for a specific public purpose, would be governed by a board of directors whose members would be drawn from the public sector (inc. city council) and the downtown business community. The nature of the entity, as a quasi-public development corporation, would allow it to operate outside of the time consuming public bureaucracy and give it the ability to act quickly, be flexible, and conduct business privately. While the entity would be generally insulated from the "politics" of the city, it would still have a degree of political accountability. It is possible that the existing Urban Renewal Authority could be utilized in some fashion. However, it would be necessary to perform some public relation moves such as renaming the authority as well as hiring a new executive director with experience in working with non-federally assisted development deals.

Organization/Recommendations: The following recommendation is intended to help the Mayor improve the capability of the city to manage its role in the development of this as well as other projects.

- 1) Create a quasi-public downtown development

corporation: Work with city council and the downtown business community to build the necessary support for the corporation. The board of directors of the corporation should include members of the downtown business community as well as the city council. This corporation should not be created if this project is to be its only project. There may be some resistance to the corporation concept by the business community and the council. Therefore, it is essential that their concerns be sought out well before any firm proposals for the corporation are made. Their concerns can be incorporated into draft proposals for the corporation. It is possible that the corporation could be set up similar to the 16th Street Mall Management District (MMD). The MMD operates under the direction of a board of directors made up of district property owners and public officials. The city council contracts, through the MMD board of directors, with the Denver Partnership for the day-to-day operations of the mall district. The downtown development corporation could operate in a similar manner and contract with Denver Civic Ventures (the non-profit, urban design and development packaging arm of the Denver Partnership) for operational support. It would still be necessary to have an executive director that would be working only for the corporation, and that would be acceptable to the city council, the mayor and to the business community. The selection of this director should be the responsibility of the board of directors of the corporation. The ability of

this director to work with the diverse interests involved in downtown will be paramount, as will his knowlege of public sector involvement in real estate development. An excellent model to investigate further is the Centre City Development Corporation in San Diego, California, discussed in Chapter 1, and the model that it was based on, Charles Center-Inner Harbor Management Incorporated in Baltimore, Maryland.

The entity could pursue projects in the Golden Triangle, the Silver Triangle and in lower downtown as well as other projects along the Mall.

Flexibility: The city and the developer both need to be willing to renegotiate the terms of the deal in order to keep the project alive. It is key that the private developer look at the city as an equal partner in the project, not a source for unrestrained funds and assistance. Any renegotiation should be a result of unforeseen circumstances that affect the ability of one of the parties to fulfill their obligations. The degree of flexibility of any of the participants will be determined by their level of commitment to the project. In an effort to balance the commitment of both the city and the developer to the project, arrangements should be made to equalize the risk as the project is built. This can be accomplished by both the developer and the city contributing their proportional funds at the same rate. This procedure will help to encourage both the city and the developer to



renegotiate when problems arise that threaten the feasibility of the project. It may not be possible for the project funds to be advanced in this manner. This is where motivation plays a major role. There must be a purpose that is broader than the financial aspects of the negotiated deal for both the city and the developer to be working together on this project.

The city needs to be prepared for a variety of situations that may cause a restructuring of the deal.

Flexibility/Recommendations: The following recommendations may be more critical later in the process but should be kept in mind from the beginning:

- 1) Focus on interests, not on positions: Probably the key to maintaining flexibility through the negotiations as well as renegotiations is the ability to keep all the parties involved focused on their interests in the project. That primary interest should be on making the project a success for both the city and the developer. In pursuing this approach, efforts can be made to find solutions that will benefit both the city and the developer. Situations in which "positions" are taken and battled over will most likely result in an unsuccessful project, due to the inability to find a common "middle ground" for agreement. The city needs to know its "interests" in the project and be willing to restructure its obligations in order to achieve that interest. The developer should also approach the project in this manner, although they will have a narrower field within which to achieve their

interests.

2) Be prepared for surprises: Develop a range of alternative methods to fulfill the city obligation in case of unforeseen problems later in the project. More important than the alternatives however, is the awareness that problems may arise and it may be necessary to change negotiated agreements.

3) Equalize financial contributions: If possible, there should be an equalized rate of contributing funds to the project so that both parties are equally sharing the risks.

Role of the Business Community: It is essential that the Mayor encourage the business community to play a proactive role in the project. Their role in continued support and lobbying for the project will be critical. The business community could also provide other forms of support such as searching out mechanisms whereby the business community could provide financial assistance to the project. The mechanisms could range from low interest loan pools to equity contributions through investment groups to leasing commitments, in an effort to improve the project's feasibility. The business community could also sponsor workshops that highlight how other cities have participated in these types of retail projects. Another role they could play would be to provide resources for additional consultants if they are necessary. It would be more advantageous to focus the business community's efforts and resources on the downtown

retail project rather than on the Cherry Creek project. The business community should be engaged to work on the role they can play in improving the likelihood of the projects success.

Business Community/Recommendations: The following recommendations are intended to guide the Mayor in facilitating the business community's continued role in the project.

1) Private Sector Investment Mechanism: Encourage the business community to create a mechanism for generating funds for potential investment into this and/or future projects. This would help to spread the risk of the project among those who will benefit as well as provide necessary capital. This mechanism, coupled with the downtown development corporation recommended earlier, will provide greater resources and capital for development efforts downtown.

2) Encourage the business community: Encourage the business community to provide continued lobbying efforts to build support for the project among skeptics. Consult with the business community to get their input on the creation of a development corporation and the designation of a tax increment finance district. Determine how much and what kind of support they would provide for both.

Investment Strategy/Goals: The city needs to determine its investment goals before committing any resources to this project. The bottom line that the city will be pursuing will

be much different than the developers. However, this should not prevent the city from seeking percentages of rent overages, project appreciation, etc. The city will be at risk in this project just as the developer and they should be compensated for those risks. For the city the risks may be politically oriented more than financial, although there will still be financial risks.

In terms of returns, the city should be seeking economic development returns as well as other more traditional returns. In order to help justify city participation, those returns should be estimated and compared with investment in other projects like Cherry Creek. Projections can be made that will estimate the sales taxes, the number of jobs, the property tax increment, the impact on surrounding businesses, etc., that this project will generate. The obligation of tax payers should also be clarified from the public's perspective.

Investment Strategy/Recommendations: The following recommendations are intended to give the mayor direction in laying a foundation for pursuing and participating in this project.

1) Identify project goals/objectives: The city needs to identify specific goals and objectives that it is trying to achieve through this project.

2) Identify investment goals and objectives: The city needs to decide if it is pursuing economic development returns, financial returns or both. The city needs to try and

determine some minimum returns, based on their level of investment, below which they cannot participate in this project.

3) Quantify Benefits of the Public Contribution:

Based on the amount of public contribution to the project, it can be determined how the developer is benefiting. The degree of benefit that the developer is receiving will help to determine the returns that the city should be pursuing.

4) Tax Increment Financing Study: Analyze a variety of tax increment financing district sizes and configurations as a mechanism to finance public participation in this and other developments.

Selection of Developer: In all of the case studies the city had the ability to choose the developer it was going to work with. In choosing the developer the city was able to select the qualities it felt were necessary to accomplish the project. In this case, the city does not have the ability to select the developer in the same sense as those cities in the case studies. The city can select the projects it wants to participate in based on the qualifications of the developer and the contributions of the project to the city. Although other potential proposals for this type of development are not nearly as refined as Centerstone, the city should be prepared to seek out other prospects in case this one fails. In this project the city can encourage the use of an additional

developer with more of the retail experience needed for this type of project. In this particular project, given the financial conditions, that may a difficult task.

Selection of a Developer/Recommendations: The following recommendations are intended to guide the Mayor in making decisions regarding the city's relationship with the current developer.

1) Determine developer qualifications: Identify the qualifications the city feels a developer should have in order for the city to participate in this type of project. For instance, does the current developer have experience in the type of retail development planned? If not, an effort should be made to include a developer that does. If the project does not have the financial capability to fund an additional developer, see if the business community can generate the resources to pay their fee.

2) Determine when to try something else: The city needs to determine at what point in these early negotiations it should try another project with a different developer. There is some point in this project where the public's interest will no longer be served, and it's important that city not go below that point.

Leadership: The key element that ties all the above elements together and enhances the likelihood of the projects success is leadership. All the actors identified in Chapter 2 will

need to play a leadership role of one kind throughout the process. There will be times for each actor to lead and to be led, and knowing when to do which, will move this project along.

The primary leader in this project should be the mayor. The nature of the position affords the opportunity to work on multiple fronts to bring together the necessary support for the project. Through the Mayor's ability to work with people and build coalitions, a method of working with the council and the business community can be created.

Through the mayor, some of the consistent leadership necessary for this project can be tapped. One potential strategy for the mayor to pursue is to meet one-on-one with each of the primary actors in the project; one-on-one with each council person to find out what they need to support the project; one-on-one with key leaders of the business community to find out what types of support they can provide to the project and to encourage them to consider some they never thought of; one-on-one with key staff to be certain they are aware of the mayor's goals in the project; one-on-one with the developer to assure them of the city's commitment and to determine their commitment; one-on-one with the chairman of the boards of the retailers being courted to assure them of the city's seriousness in this project and to show that the city is prepared to deal.

Before undertaking this strategy the mayor needs to be

certain that this project warrants this kind of energy and commitment. Is this project the type of project that will help the city achieve its goals for downtown? If so, is the cost of public participation worth the returns that the city will receive? Even if the answers to these questions are affirmative, is this still a high enough priority project that the mayor should devote a considerable amount of his, and his administration's staff to it? Is there a more efficient way of utilizing the business community and their resources in order to help the project along? How does this project sit in terms of priorities for the mayor with other projects like the Platte Valley, the convention center, downtown housing, major league baseball, etc.? Should the mayor spend his time pursuing the one-on-one strategy for a different project? Exerting subtle leadership with council will be necessary in order to gain their support. Efforts to include the council in this project in a productive manner as early as possible should be made. In the same manner that a developer should include neighborhoods in his planning process, so should the administration try to include the council in their planning process. By trying to work in sort of a "public/public" partnership between the mayor (including his administration) and the council, perhaps some "bridges" can be built that will later provide the necessary support for the project. The concept of creating a separate entity to handle this project, with council input to its creation, may also create the



necessary neutral ground through which the council, the mayor, and the business community can work to develop this and other projects that will stimulate the continued revitalization of the downtown area.

In another arena the mayor needs to deal with the competition aspect of the high-end retail location. There needs to be a balanced approach to dealing with the Cherry Creek location and the downtown location so that the needs of the city, the neighborhoods and the developer can be met.

Leadership/Recommendations: The following recommendations are based on the assumption that the mayor has made this project a high priority.

1) Broker the project: The mayor should start to bring together the diverse interests in the project and determine their level of commitment and what they are willing to do for the project. The mayor, when meeting with these interests, can start to solicit support for the recommendations outlined previously.

2) Establish a vision: The mayor needs to communicate and visualize his vision for this project and its impact on the city. At the same time, the mayor needs to tie this vision into a larger one that encompasses the Cherry Creek project, the convention center, the Platte Valley, and downtown housing.

3) Clearly establish this project as a high priority: The citizenry, the city council, the business community, the

mayor's administration and the developer, all need to clearly understand that this project is a high priority of the mayor. The mayor in turn needs to work with these groups to establish this project as a high priority for them so as to have their support throughout the project. The mayor's efforts on the project need to be visible so that all the groups can see the importance of the project to the mayor.

#### CONCLUSION:

These recommendations are designed to guide the Mayor's decision-making given the current status of the project. They are not meant to be all inclusive of the many issues that will face the Mayor in dealing with this and similar projects. However, it is hoped that they will provide a suitable base for dealing with the future issues that will arise. It will be through the leadership exerted by the Mayor that the recommendations can be achieved.

When the public sector becomes involved in real estate development, there are many more issues that need to be addressed than those in private sector development.

The bottom line in the private sector primarily involves the profit from the deal. Developers that become involved in the tedious process of downtown retail development are usually looking for more than just financial returns however. In the public sector there are not only different bottom lines, but there are many more "shareholders" that need

to be satisfied. The bottom lines for the public sector often include economic development returns, as well as the returns that are counted at the polls every 2 or 4 years.

With the absence of federal funds, public sector participation in development will require a much more entrepreneurial and potentially riskier approach. In order to pursue this approach, the public sector will need to exhibit significant leadership and civic will. The return the public sector receives for their contribution should not only take the form of economic development returns but should also take some form of the cash flow commensurate with their role and goals in the project.

The City of Denver, through the leadership of the Mayor, has the opportunity and the ability to stimulate the revitalization of downtown through public sector participation in real estate development. The efforts that the city puts forth in this retail project can be applied to other types of development in downtown for many years into the future.

## References

The following case studies were used as the primary source for the analysis in Chapter 1. They are a part of a series of case studies of downtown development directed by Professors Bernard J. Frieden and Lynne B. Sagalyn of the Department of Urban Studies and Planning, Massachusetts Institute of Technology, Cambridge, Massachusetts.

- 1) CASE STUDY: PLAZA PASADENA, PASADENA, prepared by Lynne B. Sagalyn, January 1984
- 2) CASE STUDY: TOWN SQUARE, ST. PAUL, prepared by Christie Baxter, January 1984
- 3) HORTON PLAZA: A CASE STUDY, prepared by Bernard J. Frieden and Lynne B. Sagalyn, October 1984
- 4) CASE STUDY: FANEUIL HALL MARKETPLACE, BOSTON, prepared by Jacques Gordon, January 1984
- 5) CASE STUDY: PIKE PLACE MARKET, SEATTLE, prepared by Nancy Fox, January 1984

The following resources were also utilized as part of this study.

- 6) Public Private Partnership in American Cities; R. Scott Fosler and Renee A. Berger, Lexington Books, 1982
- 7) Downtown Retail Development, Conditions for Success and Project Profiles; The Urban Land Institute, 1983
- 8) Downtown Development Handbook; The Urban Land Institute, 1980
- 9) Downtown Shopping Malls and the New Public-Private Strategy, Bernard J. Frieden and Lynne B. Sagalyn, Center for Real Estate Development, Massachusetts Institute of Technology, 1984
- 10) Issues in Downtown Retail Development: An Overview of Recent Experience, The International Council of Shopping Centers, 1984

- 11) Proceedings: Spring Seminars 1984; An Examination of Public/Private Issues in Urban Real Estate Development, Center for Real Estate Development, Massachusetts Institute of Technology, 1984
- 12) Analyzing the Economic Feasibility of a Development Project: A Guid for Planners, Richard J. Roddewig and Jared Shlaes; American Planning Association, 1983
- 13) "Applying Real Estate Financial Analysis to Planning and Development Control", David Dowall, in the APA Journal, Winter 1985, American Planning Association
- 14) "Setting Up Shop for Economic Development; St. Paul and Philadelphia"; Ruth Knack, James Bellus, Patricia Adell, in PLANNING, American Planning Association, October 1983
- 15) "Learning to Be a Partner", Bruce Heckman, in PLANNING, American Planning Association, October 1983
- 16) Public Incentives and Financing Techniques for Codevelopment; Gary Stoutt and Joseph E. Vitt, The Urban Land Institute, 1982
- 17) Codevelopment: City Rebuilding By Business and Government, Robert Witherspoon, The Urban Land Institute, 1982
- 18) "A Special Report: Downtown Retail Development", in Shopping Centers Today, International Council of Shopping Centers, June 1983
- 19) Downtown Retail Market Analysis, Denver, Colorado prepared for: the City and County of Denver, the Denver Planning Office, Denver, Colorado, prepared by: The Conway Company, Inc. New York, New York, DRAFT, June, 1985
- 20) Financial Analysis Tables: The Denver Colonnade (now known as Centerstone) by the Conway Company Inc., DRAFT, June 1985
- 21) Various newspaper accounts of the project and other situations dealing with the key actors in the study. Newspaper articles primarily from: The Denver Post; The Rocky Mountain News; The City Edition. All of which are Denver, Colorado newspapers.

## Interviewees

- 22) Albert Sussman, Executive Vice President, International Council of Shopping Centers, New York, New York.  
The International Council of Shopping Centers is the primary organization representing shopping center developers and managers in the world. It has over 11,000 members world-wide.
- 23) Will Fleissig, Director, Downtown Planning and Development City and County of Denver, Denver, Colorado.  
Mr. Fleissig is one of the city's primary actors in this project.
- 24) Thomas A. Gougeon, Administrative Assistant, Office of the Mayor, City and County of Denver, Denver, Colorado.  
Mr. Gougeon is the city's primary negotiator in this project.
- 25) Errol K. Stevens, Deputy Manager of Finance and Administration, Public Works Administration, City and County of Denver, Denver, Colorado.  
Mr. Stevens was an aide to the previous mayor. Because of his experience in city politics and government he has a keen awareness of the political situation and the city's capabilities.
- 26) Richard C.D. Fleming, President, The Denver Partnership, Denver, Colorado.  
Mr. Fleming, in his role as the leader of downtown's primary business organization, has been instrumental in the success of the project thus far and will continue to be in the future.
- 27) Eileen Byrne, Director of Civic Design and Development, the Denver Partnership, Denver Colorado.  
Ms. Byrne has played a critical role in preliminary planning and financial packaging of the project. She has also been instrumental in the continuing role of the partnership in the project.
- 28) David Nutter, Director of Mall Management, The Denver Partnership, Denver, Colorado.  
Mr. Nutter was formerly with Charles Center/Inner Harbor Management Incorporated, the quasi-public development corporation in downtown Baltimore Maryland.
- 29) Skip Ahern, Vice President of Development, Oxford Properties Incorporated, Denver, Colorado.  
Mr. Ahern is the lead negotiator for the joint-venture private development team.

- 30) John Parr, Director, Center for Public-Private Sector Cooperation, The University of Colorado at Denver, Denver, Colorado.  
Mr. Parr has been very active in working with communities to create public-private strategies to deal with a variety of planning and management issues. He also serves as an unofficial advisor to the mayor and his administration and knows all of the actors involved.
- 31) Patrick Coyle, Director, Main Street Revitalization, Division of Commerce and Development, State of Colorado.  
Mr. Coyle works with communities throughout the state to develop techniques to revitalize downtown areas. He is very familiar with state legislation concerning downtown development authorities, urban renewal authorities and tax increment financing.
- 32) E. Robert Turner, Executive Director, Department of Administration, State of Colorado.  
Mr. Turner was formerly an executive with Federated Department Stores. He is also former city manager of the City of Boulder, Colorado and the City of Cincinnati, Ohio.
- 33) Robert W. Yeager, Ross Consulting Group, Denver, Colorado.  
Mr. Yeager is a consultant with a firm that provides a variety of development related services including, market analysis, feasibility analysis, economic analysis etc. He is also President of the Urban Design Forum, a citizens organization that focuses on improving the public's awareness of "good" urban design.
- 34) Lisa Purdy, President, Citiscape Ltd., Denver, Colorado.  
Ms. Purdy provides consulting services in political process, historic preservation and real estate development. She is also a member of the Mayors Downtown Plan citizen advisory committee.
- 35) William Conway, The Conway Company Incorporated, New York, New York.  
Mr. Conway is a special consultant to the City and County of Denver on the Centerstone project. His firm is providing proforma and market analysis as well as assistance in negotiations with the developer.

36) Geri Lu VonFrellick, President, Index for Retail, Denver, Colorado.

Ms. VonFrellicks firm specializes in providing leasing services to retail clients. She has several national, regional and local clients.

37) Cathy Reynolds, Councilwoman-at-Large, City and County of Denver, Denver Colorado.

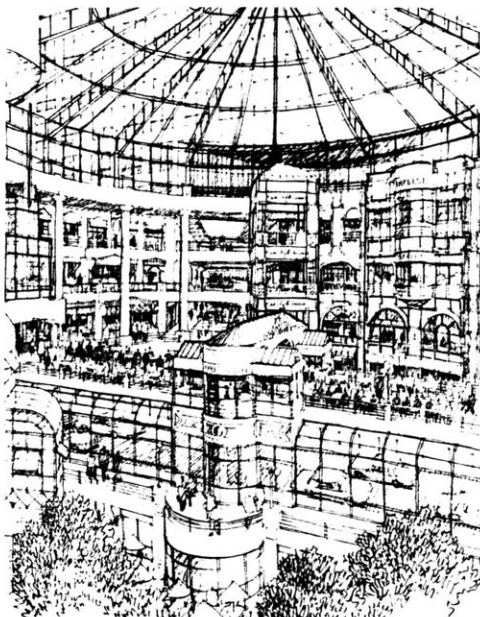
Ms. Reynolds is one of the longer tenured council members.



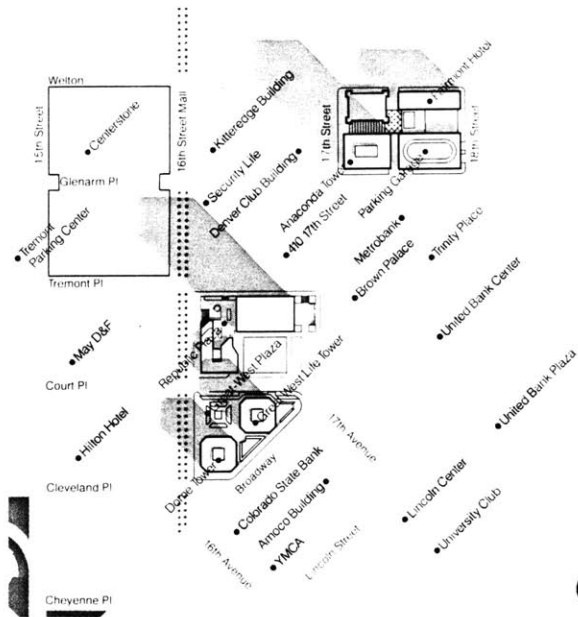
APPENDIX

# DENVER = CENTERSTONE

- Project** ● Centerstone
- Location** ● The Denver Centerstone includes two full blocks fronting on Denver's successful 16th St. Retail Mall between Tremont and Welton spanning Glenarm Place.
- Opening Date** ● September 1988
- Retail** ● This exciting project is anchored by a 500,000 square foot urban mall on 4 levels. The glass atrium spans Glenarm Place opening the stores to the cityscape and bringing the city to the shopping space. Two major fashion retailers and 100 quality stores, restaurants, theatres round out the project.
- Office Tower** ● Two 650,000 square foot office towers top the retail space with over 30 stories each.
- Parking** ● Three levels of parking offering ample retail and office parking which augments the already abundant parking near the 16th St. Mall.
- Special Features** ● Denver Centerstone is located on the 16th Street Pedestrian Mall which stretches for 13 blocks, the length of the downtown area. Shuttle vehicles run the full length of the Mall for the convenience of shoppers and visitors. The Mall is lined by a myriad of restaurants and a wide variety of retail establishments.



Retail Interior

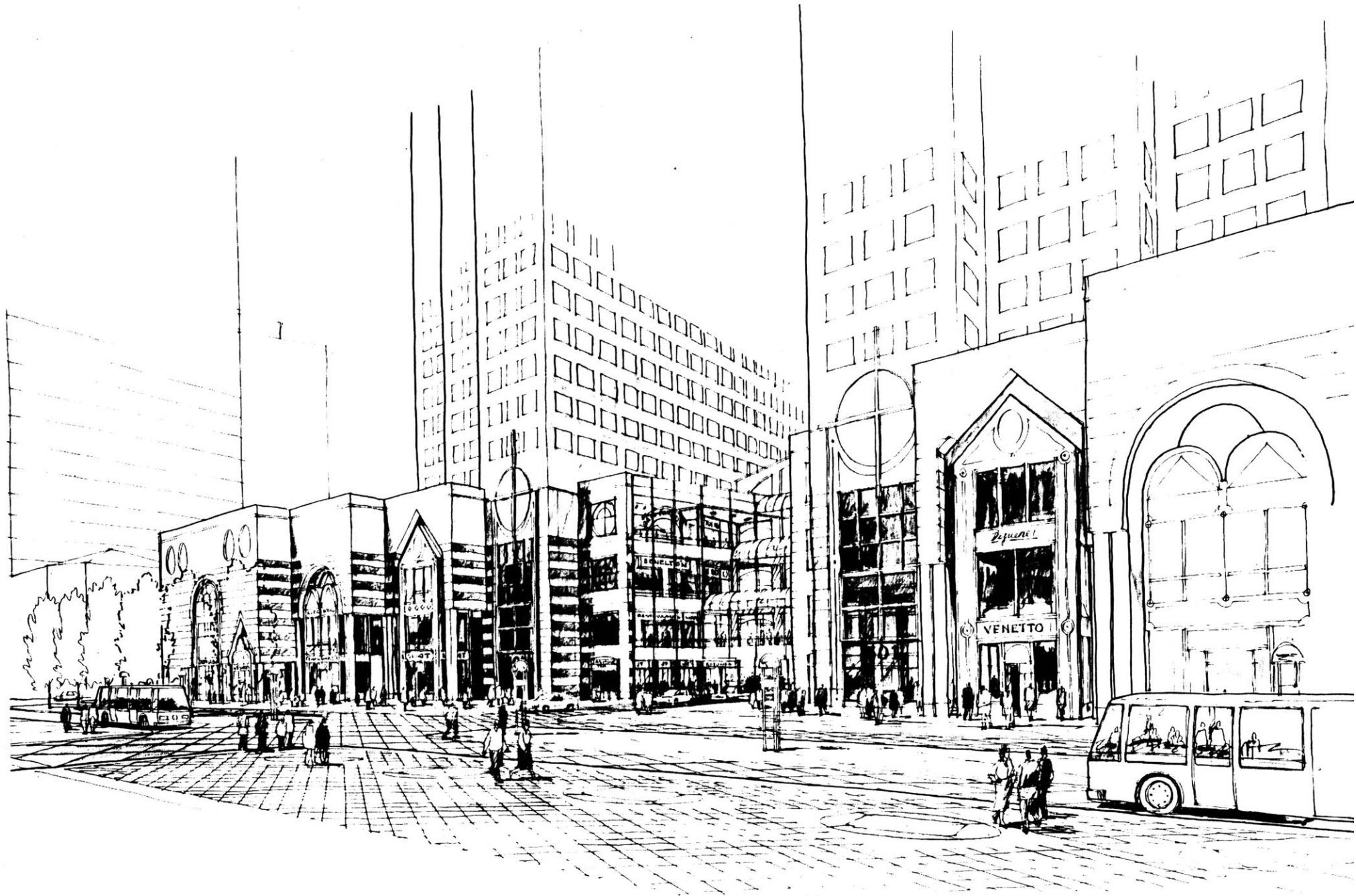


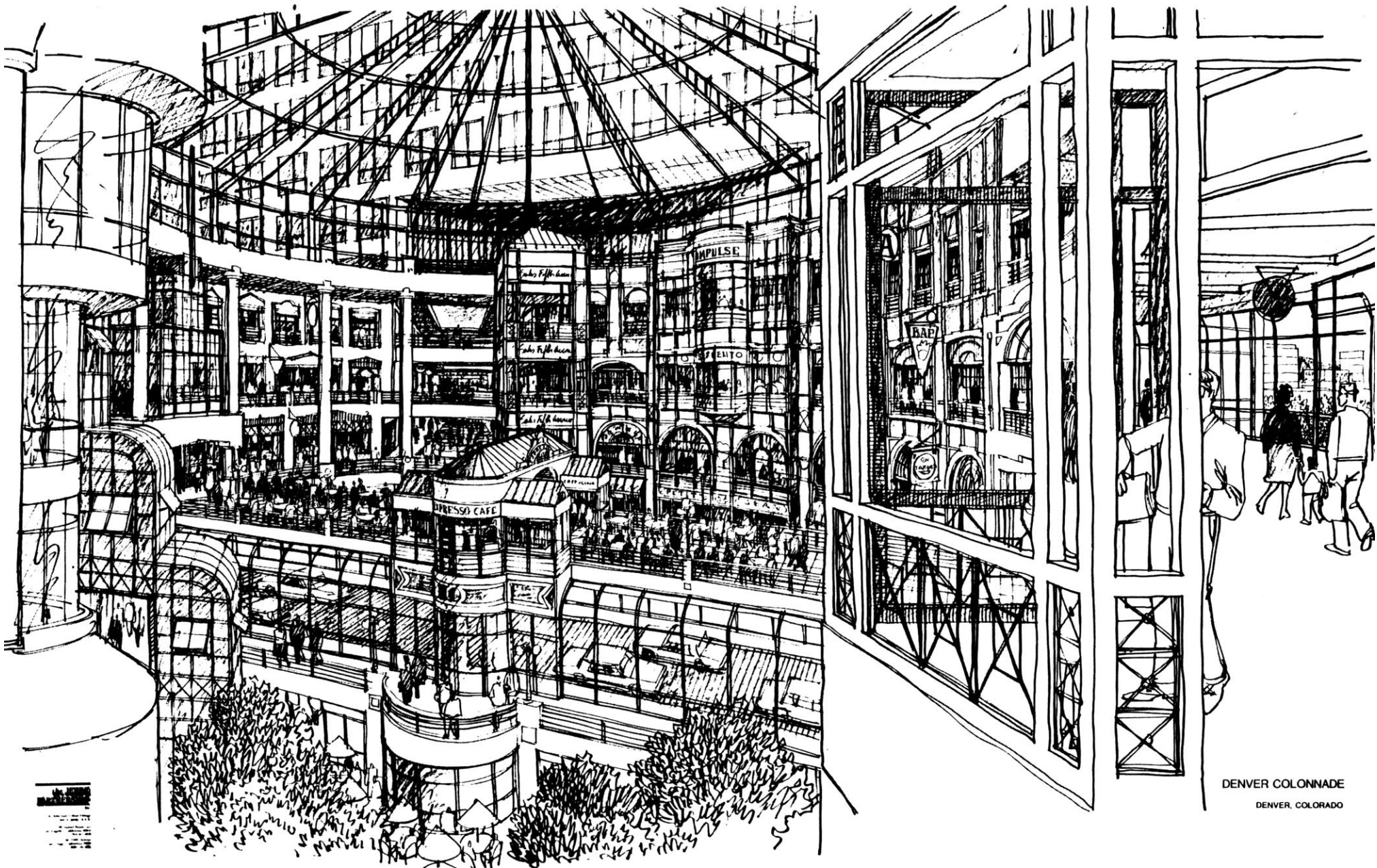
Map of Downtown

For leasing contact:

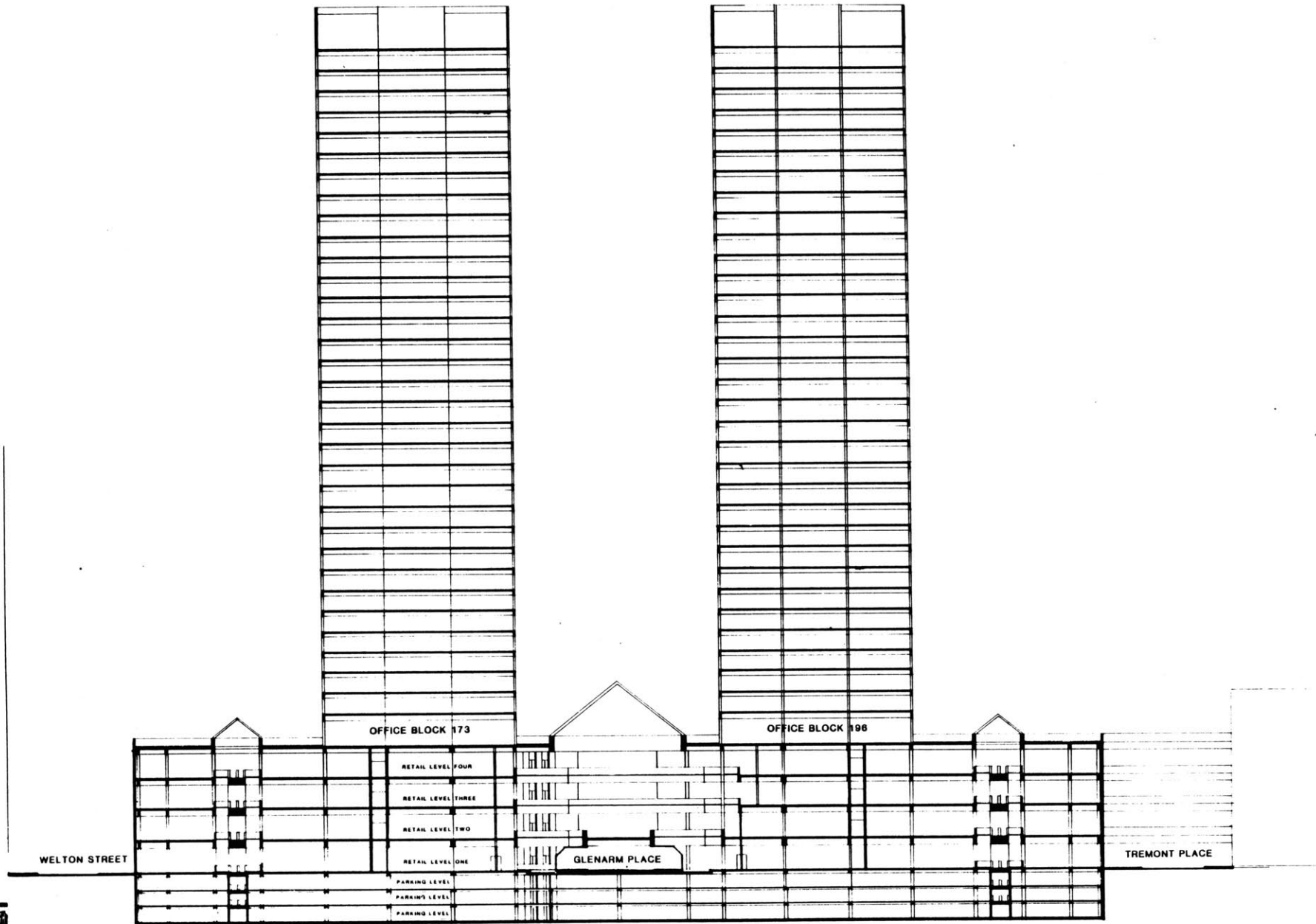


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DENVER COLONNADE  
DENVER, COLORADO



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**SECTION**  
**DENVER COLONNADE**  
 DENVER, COLORADO

SCALE - 1" = 30'  
 DATE - 15, OCT. 84

DENVER COLONNADE  
13 November 1984



AREA TABULATION

	<u>GBA BLOCK 196</u>	<u>GBA STREET</u>	<u>GBA BLOCK 173</u>	<u>GBA TOTAL</u>
SITE	106,400 S.F.	32,000 S.F.	106,400 S.F.	244,800 S.F.
<b>A. <u>DEVELOPERS SHOPS</u></b>				
M-1	17,320 S.F.	-0-	18,160 S.F.	35,480 S.F.
M-2	31,160	3,070	38,165	72,395
M-3	36,665	8,910	41,450	87,025
M-4	<u>35,050</u>	<u>8,725</u>	<u>39,615</u>	<u>83,390</u>
Total:	120,195 S.F.	20,705 S.F.	137,390 S.F.	278,290 S.F.
<b>B. <u>DEPARTMENT STORES</u></b>				
	<u>D.S. 2</u>		<u>D.S. 1</u>	
M-1	30,435 S.F.		30,690 S.F.	
M-2	38,450		26,860	
M-3	42,345		36,820	
M-4	<u>42,345</u>		<u>36,820</u>	
Total:	153,575 S.F.		131,190 S.F.	278,765 S.F.
Total A & B:				563,055 S.F.
<b>C. <u>PARKING</u></b>				
P-1	262 Cars	74 Cars	262 Cars	598 Cars
P-2	297	74	297	668
P-3	<u>297</u>	<u>74</u>	<u>297</u>	<u>668</u>
Total:	856 Cars	222 Cars	856 Cars	1,934 Cars
<b>D. <u>OFFICE BUILDINGS</u></b>				
	650,000 S.F.	-0-	650,000 S.F.	1,300,000 S.F.