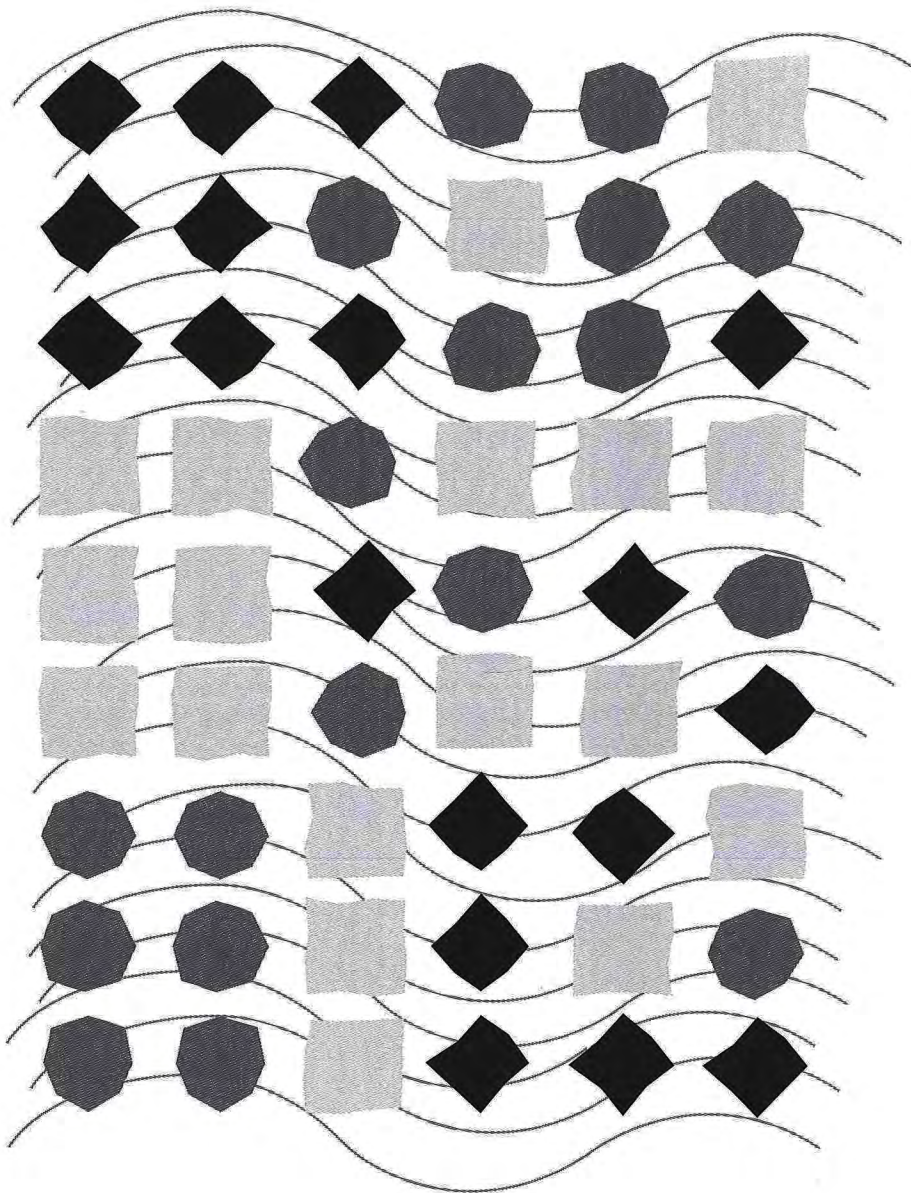


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1995
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for Excellence in the Urban Environment



BUILDING COALITIONS FOR URBAN EXCELLENCE

Jay Farbstein and Richard Wener

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LOWERTOWN Saint Paul, Minnesota

SUMMARY OF SELECTION COMMITTEE DISCUSSION

Initial Reasons For Including This Project as a Finalist

- This project has kept the inner city from deteriorating, reclaiming a part of it.
- It has kept jobs and housing in town at a time when it is critical to maintain and develop the city's economic base.
- Saint Paul appears to be doing things right, but often doesn't get the credit it deserves.
- This may be a model for other older cities to follow; it should be documented.

Selection Committee Concerns and Questions

- What was the impetus for the Lowertown project; who started it and why?
- Lowertown represented a vision — has it been fulfilled? Are the results tangible?
- Who is employed there, at what wages, and with what quality of jobs?
- What was the effect of adding higher quality housing? Has there been displacement?
- Has Lowertown had an impact on the surrounding area?

- What has been the effect on the social fabric? Have civic participation rates increased? Are there measurements of empowerment or disempowerment?
- How is this area viewed by neighbors and community groups from outside it?
- What is the quality of design?
- Where have city tax benefits generated from the projects in this area gone? Is the city getting the anticipated tax revenues?
- What was done to improve physical infrastructure and transport?
- Is this a model for older, poorer cities?

THE PROJECT AT A GLANCE

What It Is

- Redevelopment of a historic district on the edge of downtown Saint Paul near the Mississippi River.

Who Made Submission

- The Lowertown Redevelopment Corporation (LRC). LRC is a small private non-profit organization set up to intervene where government alone would be very cumbersome or

slow. While it does not choose to do projects itself, it plays some role in almost every project, often catalyzing action between private developers, public agencies, and funding entities.

Major Goals

- To attract new investment, create new jobs, and broaden the tax base.
- To provide permanent housing for all income levels.
- To incorporate a mix of historic preservation, adaptive reuse and new construction.
- To establish a lively artists' district for both living and working.
- To be energy efficient by meeting codes and providing district heating.
- To create a sense of place through the urban design plan, guidelines and design review.

Accomplishments

- Creation of a lively, mixed income and mixed use area adjacent to downtown.
- More than 70 projects have been completed from 1978 to 1993, including construction or renovation of:
 - over 1,500 units of housing (approximately 25% low and moderate income)
 - 180,000 square feet of retail and restaurant space
 - about 2,000,000 square feet of offices, studios, laboratories, and the like.
- These projects support about 6,700 permanent jobs (in addition to temporary construction jobs).
- Preservation and rehabilitation of many historic structures including warehouses, the train station, and office buildings.
- Relocation of the farmers market to a newly improved site.

- Renovation of a park in the center of the district and addition of a children's play space and a new riverfront park.
- Completion of streetscape improvements and skyway connections to downtown.

Issues That Could Affect Selection As Winner

- The program appears to be very successful in meeting its goals, despite setbacks on some projects and a recent recession in the real estate market.
- Has the public investment been justified by the public benefits of renovating this district?
- Will the LRC and the city be able to successfully develop the two major remaining portions of Lowertown — the northern quadrant, which is largely parking lots, and the river front?
- Does LRC have a sufficient mechanism for participation in planning decisions and how will neighborhood participation change and evolve now that there are enough people living there to form a community?
- Will LRC be able to find a replacement for the current president (when he eventually retires or leaves) who will be able to carry out the wide range of functions with as much effectiveness?

PROCESS

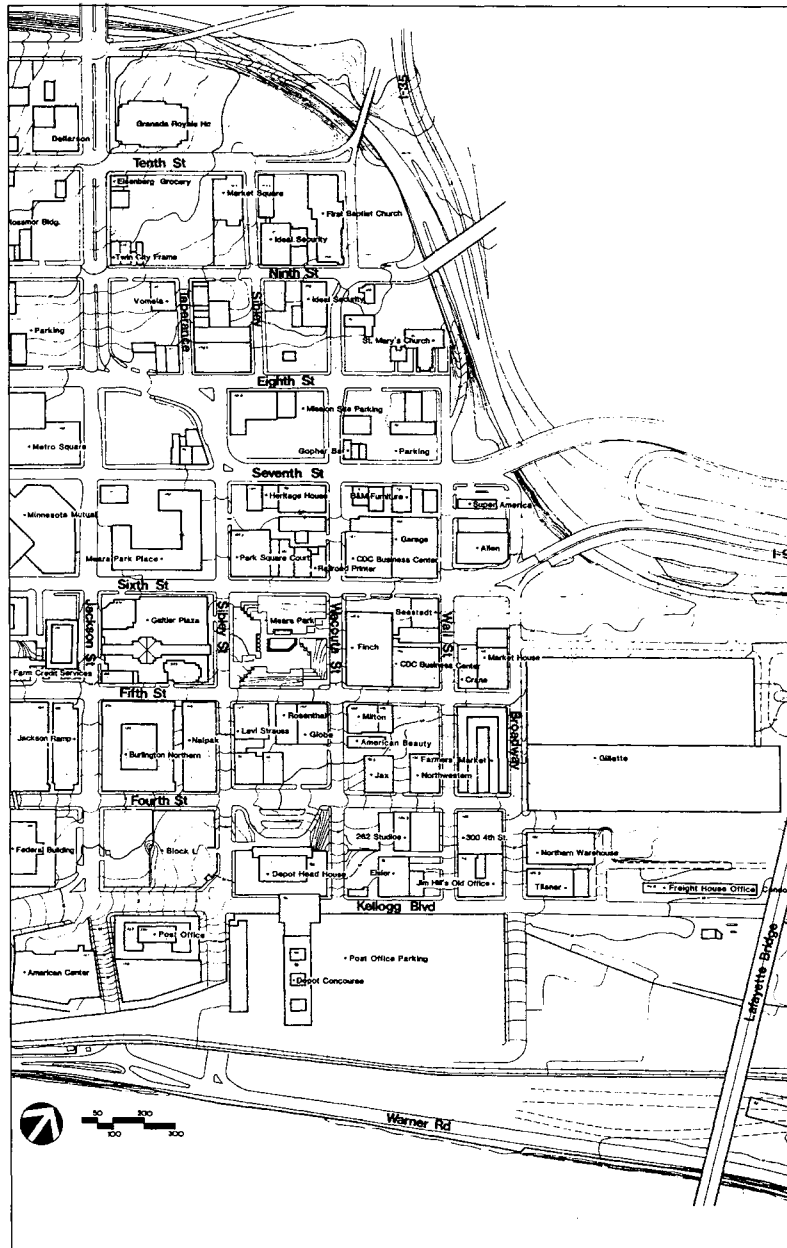
Chronology

- **Mid-1800s.** Lowertown develops as warehouse and transshipment point between the Mississippi River and the railroads serving the upper Midwest.
- **Early 1900s.** Warehousing is supplemented with considerable manufacturing.
- **1950s.** After World War II, Lowertown is largely abandoned as its industrial base moves out.



Lowertown (at upper right)

PHOTO COURTESY LOWERTOWN REDEVELOPMENT CORP.



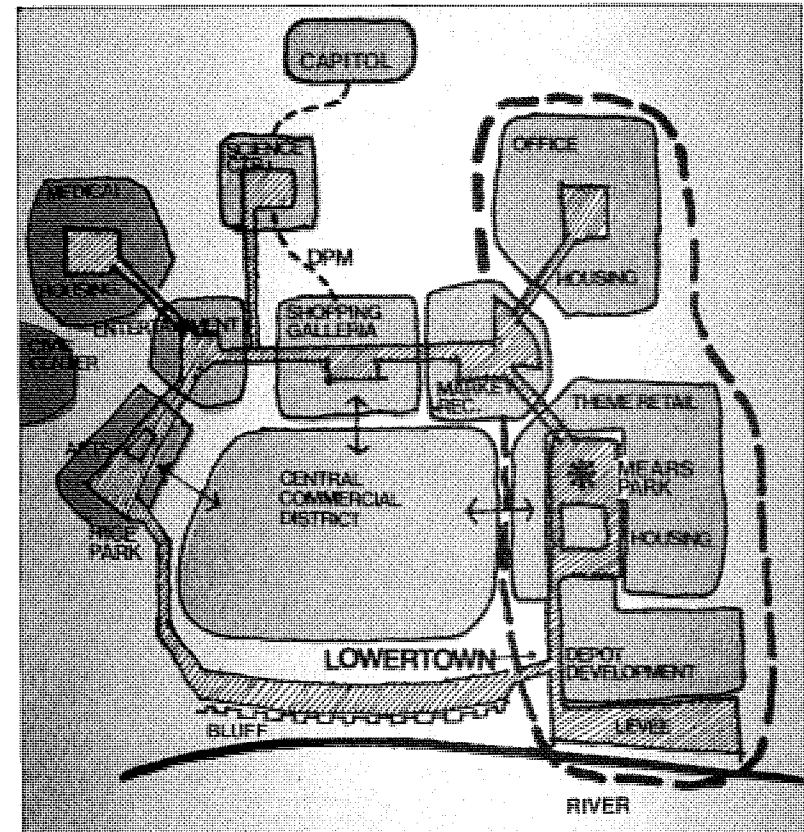
- **Early 1970s.** Norman Mears initiates efforts to revitalize Lowertown.
- **1978.** City applies for and receives McKnight Foundation support and the Lowertown Redevelopment Corporation is formed.
- **1981.** Developer is designated for the project that will become Galtier Plaza. Weiming Lu is promoted from deputy to executive director (now president) of LRC.
- **1984.** YMCA opens; construction begins on the balance of Galtier Plaza.
- **1989.** Canadian investor buys Galtier Plaza, at great loss to original investors.
- **1992.** Mears Park reconstruction complete.

Key Participants

(people we interviewed are indicated with an asterisk *)

- **Lowertown Redevelopment Corporation (LRC):**
 - Weiming Lu*, President.
 - Board of Directors (8 members): Patrick Donovan* (banker; current president); Roger Nielsen* (local businessman); Bob Hess*; mayor is ex officio member; another member is labor leader.
- **McKnight Foundation;** Michael O’Keefe, Executive Director; Russell Ewald, former Executive Director (when initial support was provided). Provided funding for LRC.
- **City of Saint Paul:**
 - Mayors: Norman Coleman* (current); George Latimer* (1976-1989); James Scheibel (1990-1994).
 - Department of Planning and Economic Development: Pam Wheelock, director, Larry Buegler*, former director; Ken Peterson*, former director.
 - Department of Public Works: Leon Pearson*, director.
 - Department of Parks and Recreation: John Wirka*, director.

- Port Authority of Saint Paul; Ken Johnson*, President (provided bond funding for part of the Galtier Plaza project).
- Consultants (with a very small staff, LRC relies heavily on consultants):
 - Fritz Angst*, Briggs and Morgan, attorneys
 - Merrill Busch*, Busch & Partners, public relations
 - Don Loberg, CPA
 - James McComb*, McComb Group, real estate market analysts.
- Downtown Community Development Council (neighborhood association which includes Lowertown; one of 17 in Saint Paul): Mike Skiwra, president, Jim Miller*, past president; Mary Nelson*, coordinator.
- Developers and property managers: Henry Zaidan* and Gordon Awsumb* (Zaidan Holdings, second owner of the retail, commercial, condos, and parking at Galtier as well as other buildings in Lowertown); David Frauenshuh* (owner of the First Trust Building and other properties); John Mannillo* (also led park planning group); Sharon Nault* and Lorie Danzeisen* (Griffin Property Management for the Towers of Galtier)
- Architects and planners: Craig Rafferty* (Rafferty, Rafferty, Tollefson: river park plan and various renovations); Milo Thompson* (Bentz, Thompson, Reitow; for Crown Stirling Suites hotel); Lloyd Berquist* (various renovations); Project for Public Spaces (programming consultant for Mears Park); Hammel, Green and Abrahamson (for KTCA and Lowertown Lofts).
- Artists: Cheryl Kartes* (former ArtSpace director; led co-op of Lowertown Lofts; author of book on doing loft conversions for artists); Lowertown Lofts: Marla Gamble*; Seitu Jones*; Tacoumba Aiken*; Tilsner Building: Jim and Carol Byrne*



(also active in citizens group promoting development of children's play space).

- Other residents and business people: Galtier condos: Joe O'Neill*; Don Anderson*, Michael and Karen Swkira*; Steve Wolf* (Art Resources); Leeann Chin* (restaurateur); Betty Herbert*; Wayne Mikos* (KTCA public television).



Weiming Lu, Fritz Angst, Merrill Busch

PROJECT DESCRIPTION

The History and Decline of Lowertown

Saint Paul was the northernmost navigable point on the Mississippi River in the middle of the Nineteenth Century — and Lowertown was home to its docks and the railroad terminal that linked the hinterland to the river. This made the area one of the most important transshipment points on the continent. Tremendous quantities of grain and other products arrived by land and were loaded onto the river boats, while manufactured goods and supplies came up river in exchange. Many large warehouses were constructed in Lowertown, which was home to brokers and shipping agents.

Lowertown was where Saint Paul began. From there, the city gradually expanded from the river banks and upstream (toward the west) where the bluffs are steeper and limit access to the river, to the site of the present downtown.

As time passed, manufacturing facilities were built in Lowertown or took over the warehouses. Rather few houses remained there. The area experienced growth through the early Twentieth Century, with concrete frame or steel construction used in place of the brick clad heavy timber structures of the earlier periods.

By the 1950s, with the decline of its traditional economic base, Lowertown was nearly abandoned. However, due to the generally slow economy and rate of change in Saint Paul and the fact that growth had taken place elsewhere, much of the building stock of Lowertown (especially in the southerly portion closer to the river) was still intact.

In the late 1960s and early 1970s, an industrialist whose family had been active in the area for years, Norman Mears, proposed a plan to renovate Lowertown's existing buildings. He succeeded in getting the city to renovate the park that is now named for him, encouraged private investment in refurbishing a block of historic buildings facing the park, and started the process leading to construction by the city of market rate downtown housing on an adjacent block. These efforts petered out after Mear's death in 1974, but laid the foundation for the next steps.

McKnight Foundation Support for Redevelopment

In 1978, the mayor of Saint Paul, George Latimer, submitted a request to the McKnight Foundation for support in redeveloping Lowertown. Discussions with the foundation had indicated that it might be prepared to support such a major effort. While the application was assembled in a matter of weeks, its vision was clear and reflected many principles which are still being pursued.

The application referred to Lowertown as "Saint Paul's unpolished gem" and proposed the establishment of the LRC, with funding of \$20 million, of which half would have gone toward redevelopment of the riverfront. It suggested that the funds could be leveraged tenfold and have a positive effect on the entire downtown. The McKnight family, founders of 3M, had a long history in Saint Paul which may have influenced their decision to fund the LRC and their commitment to providing the requested \$10 million (the portion for the riverfront was not provided).

The intervention strategy had three main components: redevelopment of the core area linked to downtown, an office park on the northern portion, and major development of the train station and river front. In 17 years, it is mostly the core area that has been redeveloped, with the latter two areas largely unaffected. But the LRC's investment has been leveraged forty-fold rather than ten-fold.

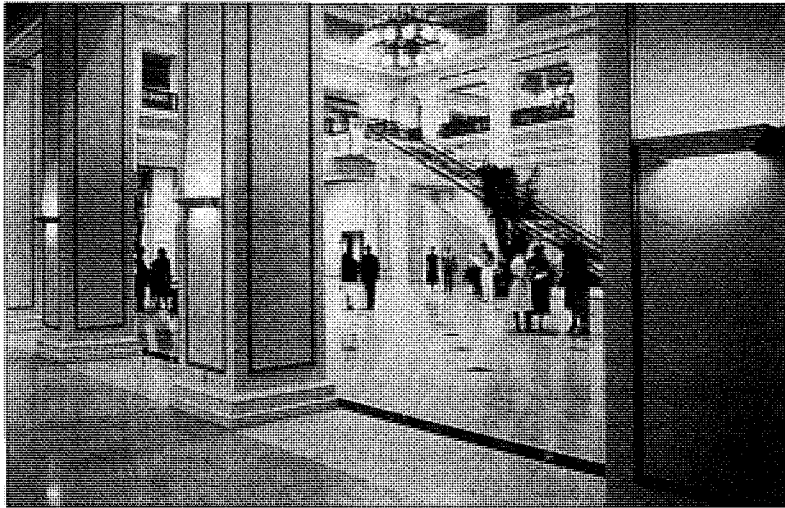
*Burlington Northern*

PHOTO COURTESY LOWERTOWN REDEVELOPMENT CORP.

*Skyway*

The vision of Lowertown described in the grant application foresaw a pedestrian-oriented community with mixed income housing, evening activities, and links to the river for recreation and aesthetic benefits. The proposed mandate for the LRC, which the McKnight support would create, contained its essential elements. While many specifics put forward in the application have not developed as foreseen, a significant number of its key features have been realized.

The Lowertown Redevelopment Corporation — An Unusual Organization

True to the original proposal, the Lowertown Redevelopment Corporation (LRC) has three areas of emphasis — gap financing on projects that would not otherwise be financially feasible, design review, and marketing. Unusually for a redevelopment agency, LRC does not have condemnation powers, does not own land, can't assemble parcels, and can't offer standard development incentives by itself (such as tax abatement) — but it can facilitate these and other contributions to a project.

The McKnight Foundation recommended that the board include the mayor, strong representation from the banks, a leader from

organized labor, a local resident and one or two others. (It seems that the board was somewhat more representative of Lowertown at first, with a large local employer, a local pastor, a community activist, and a member of the staff of the congressman who represented the area. (Fosler, page 186)) LRC has always had a very small staff, which is now intentionally reduced to only two, the president and an assistant, keeping overhead very low.

The McKnight pledge of \$10 million serves, in effect, as an endowment which LRC husbands, loans out or pledges for loan guarantees, and uses to support itself and make small grants. Of the \$10 million, \$1 million was a grant to fund LRC for three years and \$9 million was to be made available as a "program related investment", essentially a revolving loan fund where McKnight would approve each loan and be repaid when the loan matured (\$3.3 million was loaned directly and was to have been paid back to McKnight, not LRC). After three years, McKnight decided that LRC had proven itself and gave it an additional half million dollar grant for expenses as well as about \$3.8 million more for its loan fund. Thus, the total McKnight contribution was about \$8.6 million, of which \$5.3 went directly to LRC, most of which it still has — though much is tied up in loans. (Because of its careful management and investment of the funds, LRC is now self supporting.) In

these ways, the initial announcement of the \$10 million grant has parlayed a considerably smaller amount of money into a small but highly effective organization. It has also been leveraged greatly, generating much public and private investment (see below).

Other than the mayor who serves ex-officio, the board is self-perpetuating, appointing its own replacement members who are always prominent civic leaders, ideally the kinds of movers and shakers who can be counted on to get things done in the best interest of the city. Although it stays in touch with the community by having its president serve on many committees, including the Downtown Community Development Council (the city-sanctioned community association that represents the larger area that includes Lowertown), LRC has no formal mechanism for gaining input from Lowertown residents and businesses. While this situation is understandable historically — since there were few residents or businesses in the area when the process started — one wonders whether a more formalized structure for participation would now be appropriate.

Although the type of entity created for Lowertown may not seem so unusual in the mid-1990s, it is important to recall that this model was proposed in the 1970s when the notion of public-private partnerships was far from common. Mayor Latimer and his deputy mayor Dick Broeker appear to have been pioneers in inventing ways in which government could cooperate with the private sector to do things neither could manage on its own. The Lowertown Redevelopment Corporation was one of several quasi-governmental entities they set up for such purposes.

Saint Paul, Lowertown and the LRC have received a great deal of recognition for their innovative approach to solving urban problems. Latimer and Broeker are quoted in *Reinventing Government* as saying “foundation participation can make things happen outside conventional governmental restraints to skirt the paralyzed or outmoded bureaucracy and initiate direct action” (page 336). LRC is difficult to classify as an organization; set up at the impetus of the city, funded privately, yet acting in the public behalf. One gets the sense that in order to function both effectively and in the broader public interest, such an entity needs to be located in a city with good measures of cooperative spirit and honesty; without these ingredients, it could be ineffective or subject to considerable abuse.

A Unique Style of Leadership

LRC benefits from the energy and skill of its president, Weiming Lu, who has held the post since 1981. A planner by training, Lu performs a highly disparate set of functions. While design review is the closest to his training, he has learned very well how to assess the financial viability of projects, to negotiate loans, and to market and promote the area.

It is difficult to adequately describe the role of the LRC president. Lu is, at turns, visionary, promoter, design critic, banker, coalition builder, booster, midwife to difficult projects, tough negotiator, liaison to government agencies and banks, and ombudsman. He works as much by persistence, patience and persuasion as by power to plan, fund or regulate. He has gained the respect of the various communities with which he works as a person who will stick to his principles and do what he can to help, but never give as much financially as he is asked for. In order to qualify for a relatively small amount of LRC loan funds, Lu has required many projects to trim themselves to what has probably proved to be a more healthy cost while at the same time improving their design. Working with his board, he has husbanded their limited resources so they are still largely available to support the LRC and projects in Lowertown.

It is difficult to imagine how LRC will replace Lu when he eventually leaves or retires. They may have to hire two or three people to fill his position and still may not get the contribution that he himself makes.

The Urban Village

An important goal of redevelopment has from the start been to create an “urban village.” In other places, this notion has often been treated in a picturesque or sentimental way by urban planners who tried to impose the concept on people who did not want it or by neotraditionalists who would provide it only for those who can afford it. In Lowertown, by contrast, the plan was to create an area of rather intense and highly mixed uses where people of all economic levels could live near where they worked (either downtown or in newly renovated offices or lofts).

A key component of the strategy was to promote expansion of the number of artists who already had studios in cheap loft space. Some of the artists lived in their studios — often illegally — and a goal was to provide accommodations that could properly allow them to do this (see the section about artists' housing). Other components were the conversion of warehouses into offices and apartments as well as the construction of mixed use projects (see the section on Galtier Plaza).

In parallel, LRC pursued links to the downtown skyway system and the provision of missing amenities (such as parks, restaurants, shopping and entertainment). Some of these are in converted historic buildings and some in new construction.

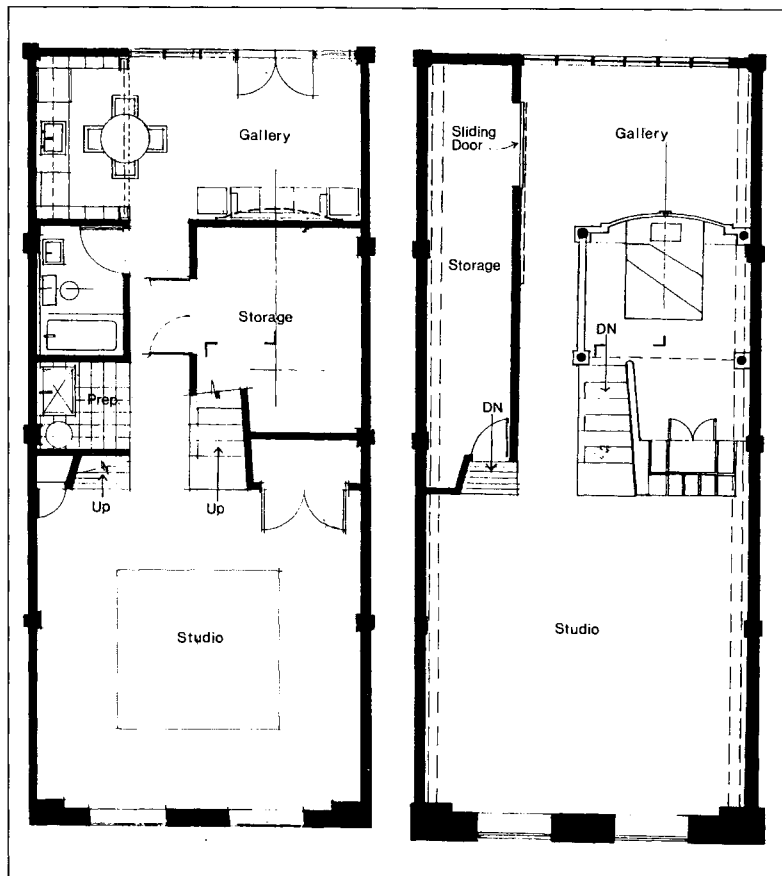
The result is an area which has become an attraction to many who seek an urban lifestyle. When the Lowertown project started, very few people lived there; now it is home to about 7,000. Some residents are empty nesters who have given up houses in the suburbs to retire close to downtown amenities. Others are young professionals and office workers who walk a few blocks to work. Still others are artists for whom home and studio are combined in one space. The area also draws many people who live elsewhere but come to shop at the Farmers' Market on weekends, to eat in restaurants or visit entertainment establishments, to take periodic "art walks" when studios host open houses, or to take part in other festivals. Office workers from downtown come to Lowertown at lunch or after work to eat or work out at the "Y".

70 Projects in 15 Years

Lowertown has been transformed by approximately 70 projects since 1978, some carried out privately, some by public agencies, and some by a variety of public and private entities working together. The following paragraphs describe some of the projects. In addition to those described below, many historic structures have been renovated, including warehouses (some designed by the famous architect Cass Gilbert), the main lobby of the train station, and the former headquarters of the Burlington Northern Railroad which is partially occupied by a bank and includes a spectacular atrium. New construction has included a very large mixed use project (Galtier Plaza), a studio for the public television station, a parking garage, and other infill projects.



Lowertown Lofts



Lowertown Lofts: Typical Studio

Cooperative Artists' Housing

We visited two of the three buildings in Lowertown which have been converted to housing and studio space for artists. Lowertown Lofts was the first artists' project to be completed, in 1986. It provides 29 lofts varying in size from about 900 to 1,300 square feet and cost about \$1.5 million (in cash, plus various in-kind contributions including \$300,000 worth of sweat equity).

The building is located at the southern edge of Lowertown and some units have expansive views of the river. The design was the



Lowertown Lofts: Artists Studio

result of a participatory charrette and includes a skylit multi-story atrium which gives access to all units. This space is used for continuous, rotating exhibitions of the residents' work, providing a glimpse into the private world within the studios. Each unit provides mostly open space for living and working with minimal built in amenities for cooking, hygiene and storage. Abundant natural light is provided by the large windows.

In talking to several of the artists, it was clear that the building is a real cooperative enterprise, with shared decisions and responsibilities. Much effort went into defining the organizational structure, leases, financial arrangements, and criteria for who can take over a vacant unit. The form of ownership is a limited equity cooperative, which allows each artist to recoup his or her investment in fixing up the unit, but not any escalation in the market value of the project. Thus, rents are fixed and affordable and will not rise (except as utility costs increase). As one artist moves on (because of life stage or the need for different studio space), other low and moderate income artists will still be able to afford to move in.

Lowertown Lofts was a very complicated development project. The building is partly owned by the artists' cooperative and partly by a

for-profit developer who leases out the first two floors. This developer had many problems which made it more difficult for the artists' portion to proceed. The financing was also complex, with four loans (one from LRC for \$177,000), tax credits, grants, and other funding sources. However, the project serves as a model and inspired the other artists' living/working projects in Lowertown and elsewhere (see the reference below to the book *Creating Space*, about making artists' housing, written by an artist who helped put together the project, and featuring it as a case study).

We also visited the Tilsner Building which has 66 apartments/studios for artists, finished in 1993 at a cost of about \$7 million. It, too, features an open atrium cut into the original warehouse, a soaring space lit with windows and providing a meeting and socializing area on the basement level.

**Galtier Plaza:
Grand Vision, Spectacular Failure, and Turnaround**

Galtier Plaza represents the single largest intervention in Lowertown. Sited on a pivotal block between downtown and Mears Park (the visual and activity center of Lowertown), this location was targeted early on for a large mixed use project. The block had three significant historical structures, but was able to support considerable new construction.

LRC and the city put out a call to developers. At that point, they envisioned a development that might cost perhaps \$30 million. However, the development team that was selected proposed a much larger project. As planning proceeded, it came to include:

- 120 condos to be offered for sale
- 361 rental apartments
- 78,000 rentable square feet of office space
- 123,000 square feet of retail
- a YMCA of 75,000 square feet
- 820 space parking garage
- a skyway link to downtown.



Inside Galtier Plaza

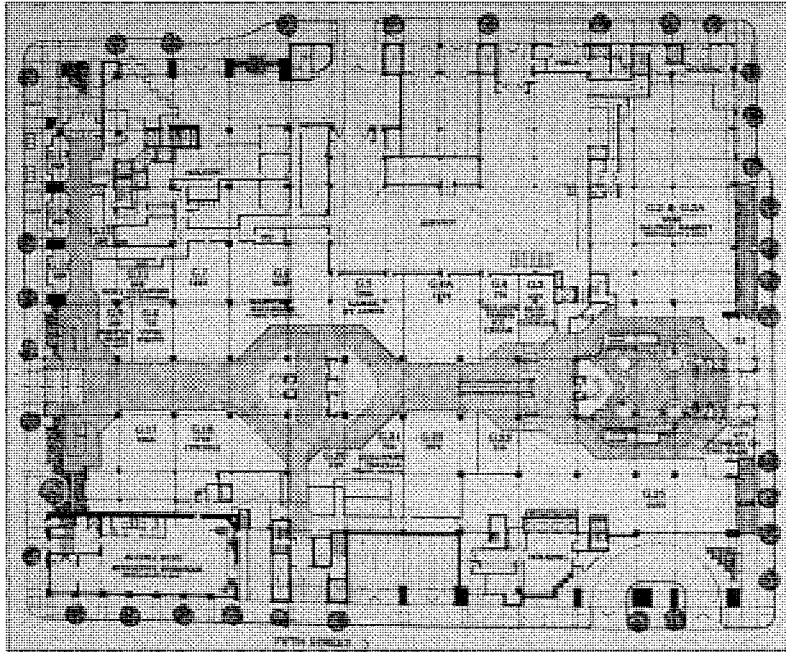
*Galtier Plaza*

PHOTO COURTESY LOWERTOWN REDEVELOPMENT CORP.

In terms of its urban design, the project was carefully thought out and has some excellent features. The housing is divided into two towers, reducing its mass. Each tower has rental apartments on the intermediate floors and condos on the upper floors. The towers are placed closer to the denser downtown side and the development steps down on the Lowertown side, becoming somewhat closer to the scale of the nearby converted warehouses. Only one of the three historical buildings was maintained intact (and the new construction is carefully stepped around it to preserve its integrity), while the façades of the two other historical buildings were dismantled and reinstalled in new positions, but on their original Mears Park side. Also on that side is a glass atrium containing the retail and office space.

Esthetically, however, the project is not quite as successful. It is detailed with a rather heavy hand and the towers are, perhaps, over articulated. Importantly, while the urban design qualities

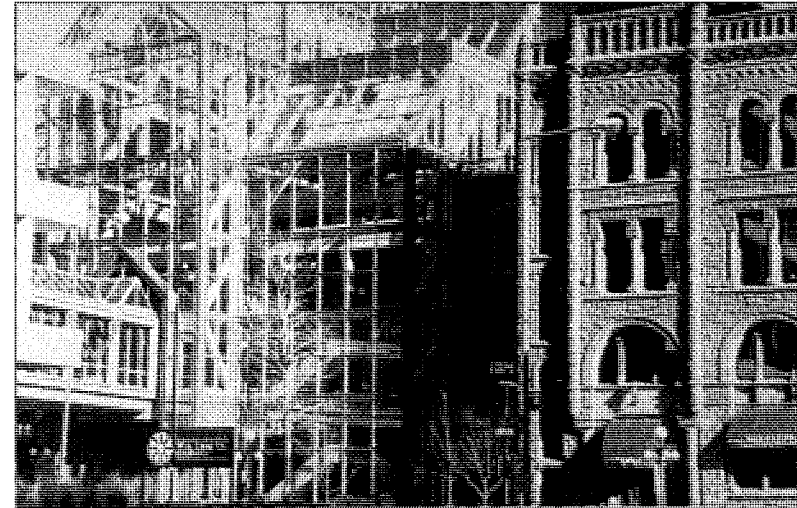
*Galtier Plaza*

PHOTO COURTESY LOWERTOWN REDEVELOPMENT CORP.

evolved under the guidance of the LRC, the architectural design was beyond its control. On the other hand, post occupancy evaluation research assessing public reaction to the design of the Galtier façades suggests that the designers were successful in achieving their objectives to link the new structures to the historic ones. Linda Day (1992a) reports that the inclusion of the old façades was greatly appreciated and that they were found to be even more attractive than the new ones, though all were regarded positively.

Completed in 1987, the project cost at least \$140 million to build (not including the YMCA and other portions). Various parts of the project were funded separately: the rental apartments were funded by bonds sold through the Port Authority to private institutional investors; the YMCA was on a separate parcel; and much of the other private funding came from investors as equity and from Chemical Bank as a loan.

This project was a very large undertaking for any developer and was apparently more than its developer could handle. Various interviewees mentioned problems with construction, cost overruns, inadequate financial resources, high interest rates, delays, and strategic errors made in market analysis and design (for example, the



retail areas were targeted toward upscale regional shops which require a greater critical mass, visibility of the retail areas is blocked by the elevators, and the food hall was originally to have been located above the main circulation paths rather than in its current more accessible location).

As the project was delayed and had difficulty in attracting tenants, it began to founder. Eventually, private investors are said to have lost about \$42 to \$45 million in equity and Chemical Bank is said to have lost about \$90 million on their loan. It is unclear how much public money may have been lost. The Port Authority took over the rental apartments after the default on that part of the project — for which they had loaned \$32 million and which would have cost about \$36 million. They estimate that their investors' equity is now worth about two-thirds of the original investment (or perhaps \$20 million). The apartments were not managed in a way that maximized their revenues, but a newly installed management team appears to be reversing that, raising the prior 78% occupancy to about 90% at the time of our visit (and rising) with lower turnover (66% per year versus 102% under prior management) and more stable, somewhat higher income tenants. Rents have also been raised (these are all market rate units).

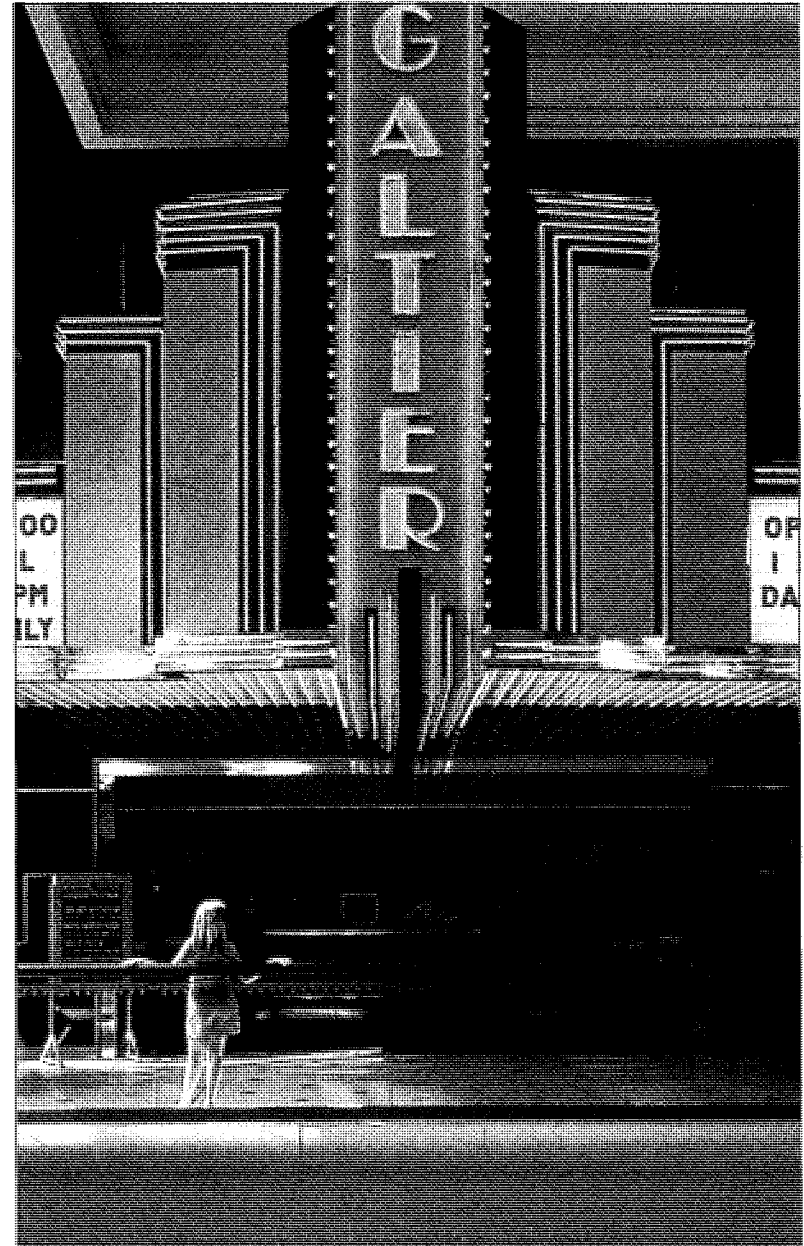


PHOTO COURTESY LOWERTOWN REDEVELOPMENT CORP.

*Mears Park*

PHOTO COURTESY LOWERTOWN REDEVELOPMENT CORP.

Excluding the YMCA, the rental housing, and the energy plant, the balance of the project (retail, offices, condos, and the parking garage) was sold in 1989 to a Canadian investor for (reportedly) in the range of \$10 to \$12 million. This transaction took place immediately before the recession and steep decline in property values began.

His strategy has been to aggressively market the condos, and to “reposition” the retail space away from the regional high end target and toward services for the neighborhood and downtown. He also relocated the food court to the ground floor. The mall now contains several restaurants, a multi-screen movie theater, a comedy club, and a business college. Retail and office space are 90 to 95% occupied. At the time of our site visit, only 9 of the 120 condos were left unsold, mostly on the park rather than in the towers.

From the point of view of its impact on the area, the project now appears to be successful. It brings residents, office workers, students and shoppers to Lowertown and contributes substantial property taxes (over \$800,000 per year) and sales taxes to the city. By most reckonings, however, this would not be a sufficient return to justify the public investment.

In an interesting assessment of the trade-offs between image and economics, Linda Day (1992b) discusses the balance between the project’s likely ability to succeed financially and the perceived benefits of having a large, visible project (with tall towers) from the point of view of city decision makers. Day maintains that the symbolic values appeared to have overcome financial considerations, in the sense that there was not a clear justification for a project of this scale in terms of demonstrated market demand. The city and the developer had to believe, in effect, that the large size of the project would contribute to creating its own demand and would change the market. The large scale image would supposedly contribute to this effect. The history of the project is too complex to argue that its (temporary) failures prove that this line of reasoning could have been shown at the time to be incorrect and LRC argues that it did attract other investments that might not otherwise have been made.

Mears Park

Mears Park is located at the heart of Lowertown’s core area. Named for the local industrialist who started Lowertown toward redevelopment, the park had been remade in the 1970s according to a design that won awards but had come to be referred to as “the brickyard” by locals for its unrelenting paved surfaces.

In 1988, the city and LRC commissioned Project for Public Spaces to prepare a study of the park, evaluating its potential for enhancement. By that time, many of the buildings surrounding the park had been renovated and the Galtier project built. The study entailed surveys of many park users, observations, and focus group workshops. Among the identified shortcomings were the deteriorating materials, limited views and access, and lack of green space and amenities for children. They proposed remedying these problems and providing more seating, better event support, and involving the community in maintenance.

After a competition to select the design team and a featured artist, the park was redesigned and reconstructed for \$1.8 million in 1992. The new design features a diagonal waterway, enhanced landscaping, seating, activity support, and a pergola. The park appears to be well used and appreciated by residents.

Community involvement with the park is striking. Neighboring residents, who have formed the Friends of Mears Park, volunteer well over 1,000 hours per year to maintain the park and donate

many thousands of dollars for materials and gardeners' salaries. One retired couple was described as spending eight hours every day working in the park on cleanup, weeding, planting, fertilizing, and pruning.

The Farmers' Market and the Hotel

For some years, a farmers' market had been located on a site at the northern end of Lowertown, close to and visible from a highway. When a developer proposed to locate a hotel on this site, the notion arose of relocating the market. LRC was very active with both these projects, working with the hotel chain to modify the exterior design to fit in better with the neighboring brick buildings (a southwestern style design had been proposed!), and working with the farmers and the city to find a site and the funds (about \$900,000) to install needed improvements, such as the permanent canopy shelter for 116 vendors.

In the end, a site for the market was selected closer to the river. The market has been operating very successfully there and has considerably expanded its number of vendors and sales. The market is very popular city-wide and many of our interviewees who do not live in Lowertown come to the market regularly. As the market's success has grown, it has used up the available site and more room is needed for vendors and parking. LRC is looking for ways to accommodate this expansion, recognizing that the farmers are also exploring other locational options and that the market is important to maintaining Lowertown's success.

The Economic Impact of Lowertown

A study of the economic impact of the Lowertown redevelopment program from 1978 to 1993 showed the following results (note that considerable additional activity continued in 1994 and 1995):

Total investment	\$428,000,000
Jobs created	6,700
Housing units built	1,500
% low and moderate income	25%
Property taxes paid annually	\$3,840,000
Sales taxes paid annually	\$1,600,000



Farmers Market

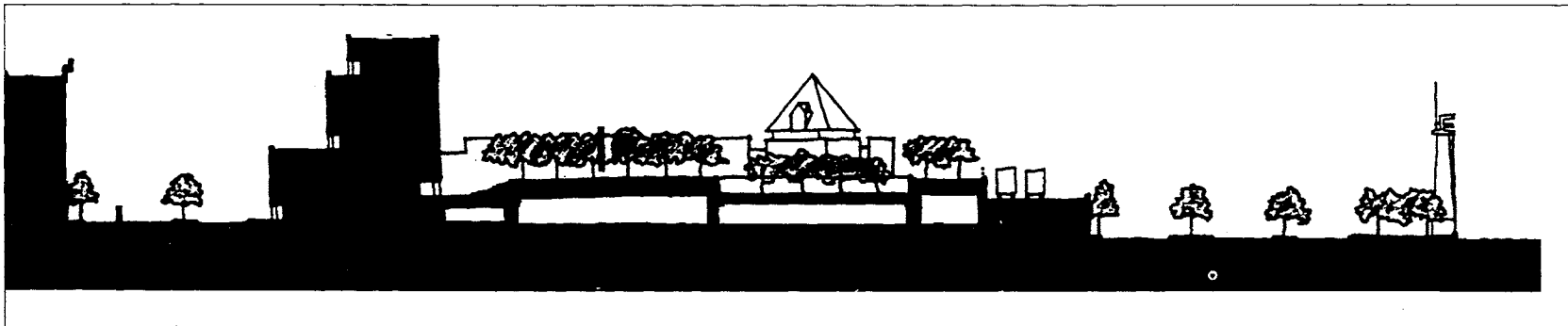
PHOTOCOURTESY LOWERTOWN REDEVELOPMENT CORP.

By comparison, in the ten years prior to 1978, only \$22 million had been invested in the area (and \$16 million of that was in a single project). Of the \$428 million, about \$185 was from public sources (mostly loans which presumably will be repaid). Property taxes paid annually prior to renewal were only about \$860,000.

LRC has provided about \$2.2 million in loan guarantees and about \$5.5 million in loans over its history (some of which have been paid back and the money recycled). LRC claims great leverage from its investments, with a multiplier effect of approximately 13 times (that is, for every dollar LRC put up on a given project, other investors put in \$13). If the total investment in Lowertown is taken into account, the leverage on LRC funds would be over 40-to-one.

Next Steps: the Northern Quadrant

There are two main areas left in Lowertown where LRC can have a major impact: the river front and the northern quadrant. The northern quadrant contains most of the vacant, developable land in Lowertown, much of which is currently surface parking (in demand by downtown workers). Initially, the concept was for this area to be mostly offices and more recently a "technology park", though neither of these has been able to demonstrate market



Concept Design for Riverfront

demand or find financial backing. LRC considers the open space to be a kind of land bank for future development of an as yet undefined nature. The mayor is not particularly concerned by the vacant land and does not see its development as crucial at this time.

Next Steps: the River Front

The river front, by contrast, has received much more attention recently. The mayor has emphasized this area and instigated major new projects including, among others, a park, a "Chautauqua" center, and relocation of the science museum.

The new linear park, which runs along Lowertown's river frontage, was almost ready at the time of our visit. This part of Lowertown, however, is blocked from the river by a two lane road and a structure which supported the railroad tracks before they were removed (two mainline tracks still run there). Much of this area is now owned by the U.S. Postal Service, which may cooperate in its development. There is also the Union Depot concourse which has yet to be redeveloped.

LRC recently sponsored an urban design study of options for this area. Among the elements that were considered were an esplanade connecting Lowertown to the river, a new river landing, housing, offices, an interpretive center, and a marina (which would be connected to the river by a channel under the railroad tracks). While there is interest and support for action in this area, it is unclear what direction its development will ultimately take.

Of some concern, the report for this study does not make reference to any formal public input or review from Lowertown businesses, residents or employees — only LRC and city agencies — though we are told that there were later presentations to the Planning Commission, the Downtown Community Development Council, and other groups. Yet the project would have significant impacts on Lowertown businesses, residents and employees in terms of traffic, views, circulation, recreation opportunities, parking, and many other issues. This lack of input and review may be symptomatic of LRC's "old" way of doing things, left over from before there was a significant community there — and, now that there is one, LRC may need to reconsider its approach.

THEMES AND LESSONS

Vision, Leadership and Patience

The accomplishments of Lowertown are attributable to a very special combination of vision, leadership and patience. City elected officials, the McKnight Foundation, bankers, LRC staff, artists, and developers all contributed toward creating a structure within which Lowertown could be brought back into the fabric of the city. This represents a commitment by many of these actors to work in the area over the long term.

Accomplishing Much with Limited Powers

Lowertown represents an unusual approach to urban redevelopment. Classically, a redevelopment authority has considerable power to condemn land, to offer property tax abatements, and to package tax increment or other bond financing. LRC does not have these powers, though it does have a moderate amount of funding to use for loans, loan guarantees, and occasional small grants. Therefore, it has relied to a large extent on providing encouragement, facilitation, networking, review, marketing exposure, maintenance of standards, and other somewhat non-traditional approaches.

On the other hand, LRC can make decisions very rapidly when necessary, reportedly making a loan commitment for an elderly housing project in 6 days, allowing the city to capture millions of dollars in construction and Section 8 funds that would otherwise have been lost.

Steady Change Over a Long Period

Perhaps because LRC's power and resources are limited, it has had to work slowly and steadily to accomplish change. Rather than imposing a rigid plan, it provided vision and guidelines as a general framework for development then worked closely with each project to see that it contributed to long term goals. While a number of projects happened early on, it has taken years for the overall fabric to heal and regrow. The process has been much more incremental and organic than in areas that tried to achieve a grand plan in a short time. Perhaps because of this, the failures or temporary setbacks of some projects have not killed the overall plan and the area now has a complexity and vitality that make it quite robust.

Plan Versus Process

Not surprisingly, over the years there has been a series of physical plans for Lowertown. The original plan in 1978 which laid the ground work for initial development bears only a limited resemblance, other than rehabilitation of existing structures, to what was done or what is now foreseen. It is clear that any plan for Lowertown provides what is essentially a general framework for evaluating proposals that may come forward for a given parcel of land. More important are the goals and guidelines for how Lowertown should develop and the evolutionary nature of the

process. As conditions have changed concerning financing, politics, market demand and so forth, the LRC has attempted to respond to, and often to guide, proposals. What will happen along the river and in the northern quadrant, the two remaining areas of greatest opportunity, while guided by a vision from LRC will depend on what is possible as conditions develop.

This appears to be an effective approach as long as an agency like LRC exists to serve as midwife and ombudsman for an area. It demonstrates that an effective plan for long term development can be limited to broad outlines within a process that protects and enhances the common interest when specific proposals come forward.

A Foundation Grant can Give Independence

Because the LRC began life with \$10 million from the McKnight Foundation, it had a degree of independence that most redevelopment authorities lack. On the other hand, with limited powers, it had to rely more on encouragement and persuasion than it otherwise would have.

Husbanding Resources: Leverage

The LRC smartly chose to use its resources in a way that could encourage change yet preserve its capital. In general, it has pledged funds to guarantee loans from other sources or has made bridge loans to developers, rather than outright grants. Thus, as loans have been paid back, LRC has been in a position to support new projects.

A Tough Negotiator

LRC has a reputation as a tough negotiator. Most groups we talked to said that LRC had given them less than they asked for and had insisted that they tightly control costs as well as conform to design requirements. This strategy, characterized by some as "tough love", appears to have been good for the health of many projects which, by keeping costs low, limited exposure and enhanced financial success (also helping to assure that the projects would pay back LRC loans).



The Railway Station

PHOTO COURTESY LOWERTOWN REDEVELOPMENT CORP.

Creating a Community Where None Had Been for Years

The plan for Lowertown built on the area's attraction for artists, as well as its potential for other uses, and added enough new residents and workers to achieve a critical mass. The area is now lively and attractive and beginning to function more as a community in the sense of participation in civic affairs. It can be anticipated that this community will now exercise its voice in a way that has not been possible until now — and a mechanism for incorporating its participation in planning and decision making for Lowertown will likely be needed.

ASSESSING PROJECT SUCCESS...

...BY ITS GOALS

To Attract Investment, Create Jobs, and Broaden the Tax Base

Lowertown has attracted over \$400 million in investments, created workspace for about 7,000 jobs and broadened the tax base substantially (though with considerable public investment).

To Provide Housing for All Income Levels

Approximately 1,500 housing units have been built or renovated from warehouse space. Approximately 25% of the units are designated for low and moderate income households, including some with Section 8 rent subsidies. The population is quite diverse and includes young professionals and others who work in downtown, empty nesters who have retired there, a substantial number of artists, and many others.

To Blend Historic Preservation, Adaptive Reuse and New Construction

Each of these strategies has been used successfully in Lowertown. Many significant historic structures have been preserved or reused, including Union Station, the Burlington Northern building, and very attractive warehouses, some designed by Cass Gilbert.

To Establish a Lively Artists District

One of the original strengths of Lowertown that was recognized by LRC was its artists' studios and bohemian lifestyle. Rather than making changes which would result in the artists being displaced (as often happens when rents rise), strategies were put in place to keep inexpensive studio space available, to create live-in work space, and to encourage galleries to open in the area. These efforts seem to have paid off as many recognize and appreciate the area as being more interesting for the large number of artists who live and work there.

To Create a Sense of Place

Lowertown is a real place with a distinct character and identity. The visual focus around Mears Park, and the preservation or adaptive reuse of historical structures have contributed to this, as have the growing level of activity, the farmers' market, many periodic community events, and the special flavor added by the arts community.

To Keep Design Quality High

While the quality of design varies by project and depends on the owner, budget and design team, overall it is quite high. Urban design quality, over which LRC is more able to exert influence, is excellent. The park is very well designed and street improvements, while modest, are well executed.

...BY SELECTION COMMITTEE CONCERNS

Has the Vision for Lowertown Been Realized?

While not "complete", Lowertown is far enough along to be evaluated. It is an active, lively neighborhood that appears to be successful in most terms: attractive buildings have been saved and reused; many people live and work there, while others visit for entertainment, dining and shopping. The vision has been realized but is still evolving.

Who is Employed in Lowertown?

While historically Lowertown provided warehousing and manufacturing jobs, current employment includes artists (generally self

employed), office jobs of all scales (employers include the Army Corps of Engineers, banks, architects and other design professionals, a business college, Control Data, and city and county offices).

Has There Been Displacement?

Because so few people lived in Lowertown when redevelopment started, the area was not subject to displacement. Many artists who lived illegally in their studios now live in legal attractive artists' cooperatives.

Has Lowertown Had an Impact on the Surrounding Area?

Lowertown is bounded on one side by the Mississippi River, and on two others by freeways, so its potential impact is limited. The fourth side is downtown and this edge is not clearly demarcated. Several projects in Lowertown have been built along this edge, and projects have been built on the downtown side as well. The downtown skyway system (important because of the climate — but the subject of great debate about its impact on the street) continues into Lowertown at three points, though its penetration is somewhat limited.

What Has Been the Impact on the Social Fabric?

Has Civic Participation Increased?

Considering that almost no one lived there before Lowertown was redeveloped, there are many signs that a community is developing. There are biannual artwalks for which artists cooperate to open their studios to visitors. There is a strong sense of ownership of the park, where neighbors have adopted and help maintain it. Participation also appears strong in planning for children's play space and other community events.

While LRC appears to have increased its encouragement of participation on projects for open space planning, there does not seem to be an established mechanism for broader input on other projects (such as the recent river front planning exercise). One can imagine a protest developing when, for example, a proposal for river front development is seen by artists or others as blocking the views to which they have become accustomed.

How is the Area Viewed From Outside?

Lowertown is now seen as a cultural asset, due to the artists. It is also an attraction to office workers who come for lunch, and residents from the entire city who visit the farmers' market. The opinion of people we interviewed who do not live or work there was uniformly positive about the changes in Lowertown.

What is the Quality of Physical Design?

Design quality varies greatly, depending on the architect for each project, its budget and its owner's intentions — but it is generally quite high. Many of the historic buildings ranged from attractive to beautiful and these qualities have been maintained or enhanced. New projects are generally attractive and incorporate features that help them harmonize with historic neighbors (massing, choice of materials, scale of openings, etc.). LRC has exerted influence on design in many ways, including providing general urban design guidelines (e.g., massing), insisting on specific requirements (when it provided funding), design review by the president, and referral to developers of architects. Streetscape improvements are modest, incorporating lighting and bus shelters (but not paving, signage or street furniture). The lighting is attractive and is used as part of the Lowertown logo. Overall, LRC's impact on design has been extremely positive.

Is the City Getting the Anticipated Tax Revenues?

Where Has Money from This Area Gone?

LRC's \$10 million commitment from McKnight has generated approximately four times the amount of investment anticipated (they hoped for \$100 million and have had about \$400 million). This level of investment has clearly increased tax revenues (from both real estate and sales taxes), undoubtedly beyond expectations, though the recession in real estate has also lowered values compared to what they would otherwise have been. Whether the added tax revenues justify the total public investment in Lowertown is a question we do not have the data to answer. While revenues go into the city's general fund, the city has continued to invest in Lowertown; there is no evidence that this money is being drained to support other areas.

What Was Done to Improve the Physical Infrastructure and Transport?

A number of infrastructure improvements have been made, and more are planned. Completed improvements include the streetscape program (such as street lighting which was entirely lacking), creation of signage directing traffic toward Lowertown, rebuilding the bridges over I-94, relocation of the farmers' market to be closer to the center of the neighborhood, extension of the skyway system into Lowertown, and improvement of Mears Park. During the site visit, a trolley service began operation, linking Lowertown to the rest of the downtown. Planned improvements include a tot lot play area and major works along the river front, possibly including an esplanade, marina, visitors center and other features.

Is Lowertown a Model for Older, Poorer Cities?

Lowertown represents an unusual approach to urban redevelopment, lacking most powers inherent to typical redevelopment authorities, and utilizing a range of other approaches. Whether these approaches can be applied by others is open to debate. For one thing, Saint Paul is quite different politically and demographically from other similar sized cities. It is much more homogeneous economically and racially, with a very small minority population. In addition, the streamlined political structure and a general lack of social conflict may make it easier for Saint Paul to define and move toward common goals. For another, Lowertown has benefited from a particularly capable president, who has stayed with the project for fifteen years. This combination of ability and longevity is not often available to a redevelopment effort.

SELECTION COMMITTEE COMMENTS

The Selection Committee was interested in Lowertown because it addresses the very important and widespread issue of what to do with the decaying areas adjacent to so many downtowns. They found that Lowertown represents a bold and innovative response to the many problems posed by such areas. These include the preservation and reuse of historic structures, encouraging private investment, and re-creation of community where none has existed for many years. If the LRC had not been effective, a great deal more of

Lowertown would have been sacrificed to parking lots. Instead, Lowertown has created new options for urban life: for living and working near downtown.

One feature that particularly impressed the Selection Committee was the innovative partnership between the city and a private foundation. With very limited support, a quasi-private/quasi-public entity was created that was able to catalyze redevelopment without the heavy-handed and very expensive strategies such entities often employ. The sophistication and dedication of the president was also noted.

In addition, the committee was impressed with the quality of urban design exhibited by the public improvements and many of the private projects. These contributed to the sense of place that has attracted a new community to Lowertown.

One concern of the Selection Committee was the massive expenditure and near failure of the largest project in Lowertown, Galtier Plaza. While neither the scale nor the problems of the project could be laid at the feet of the LRC, the committee could not reconcile the problems of this more traditional type of project with the successes of most of the balance of LRC's interventions.

Another concern was the question of whether the Lowertown model can be replicated in other cities. St. Paul benefits from features which many cities lack: an attractive and viable site adjacent to a healthy downtown, a history of cooperation among key players, and private developers willing to become involved. In many cities which would benefit from the kind of development which has taken place in Lowertown, these conditions do not prevail. Despite these limitations, the committee felt that there is much to learn from what has been done there.

For More Information...

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