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Urban Excellence

Philip Langdon
with Robert G. Shibley and Polly Welch



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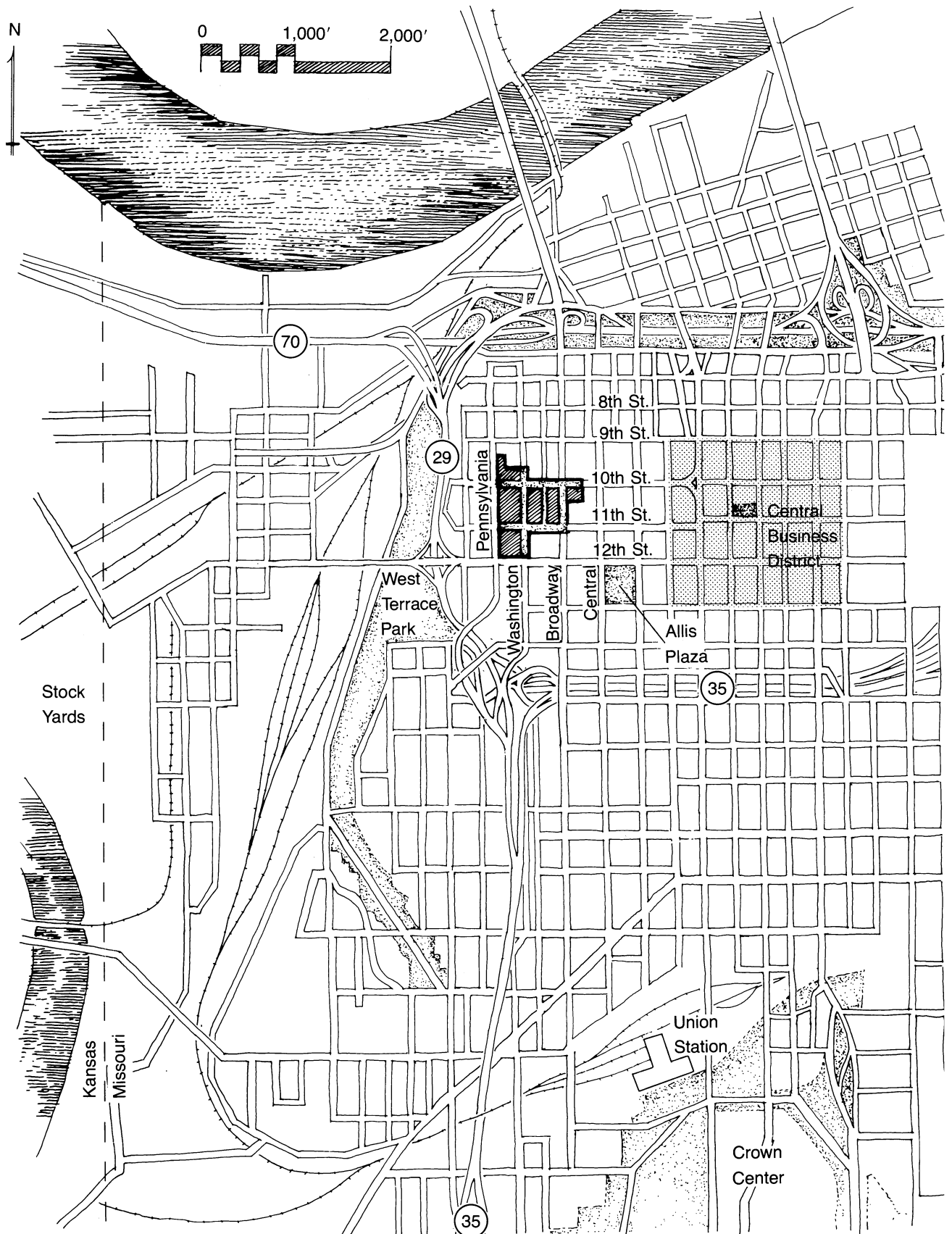
Establishing a New Downtown Community

Quality Hill in Kansas City, Missouri

Unlike San Francisco's St. Francis Square, which was conceived at the peak of the clear-and-rebuild period of urban renewal, Quality Hill in Kansas City, Missouri, is a product of the more preservation-minded 1980s. For years, derelict but architecturally or historically interesting old buildings occupied several of the blocks west of Kansas City's downtown (fig. 4-1). Some of the buildings remain empty and deteriorating today, but in a 4½-block area a transformation has recently taken place: thirteen historic buildings have been rehabilitated, largely for housing. Gaps in the neighborhood have been filled in with ten new buildings. In all, 363 apartments and condominiums have been provided in Quality Hill, along with two parking garages providing 623 offstreet parking places, surface parking areas, and 52,400 square feet of space for restaurants, offices, grocery stores, and other uses (fig. 4-2).

These changes, all accomplished since the spring of 1985, represent a major achievement for Kansas City. The elements of Quality Hill that hold potential lessons for other cities include the following:

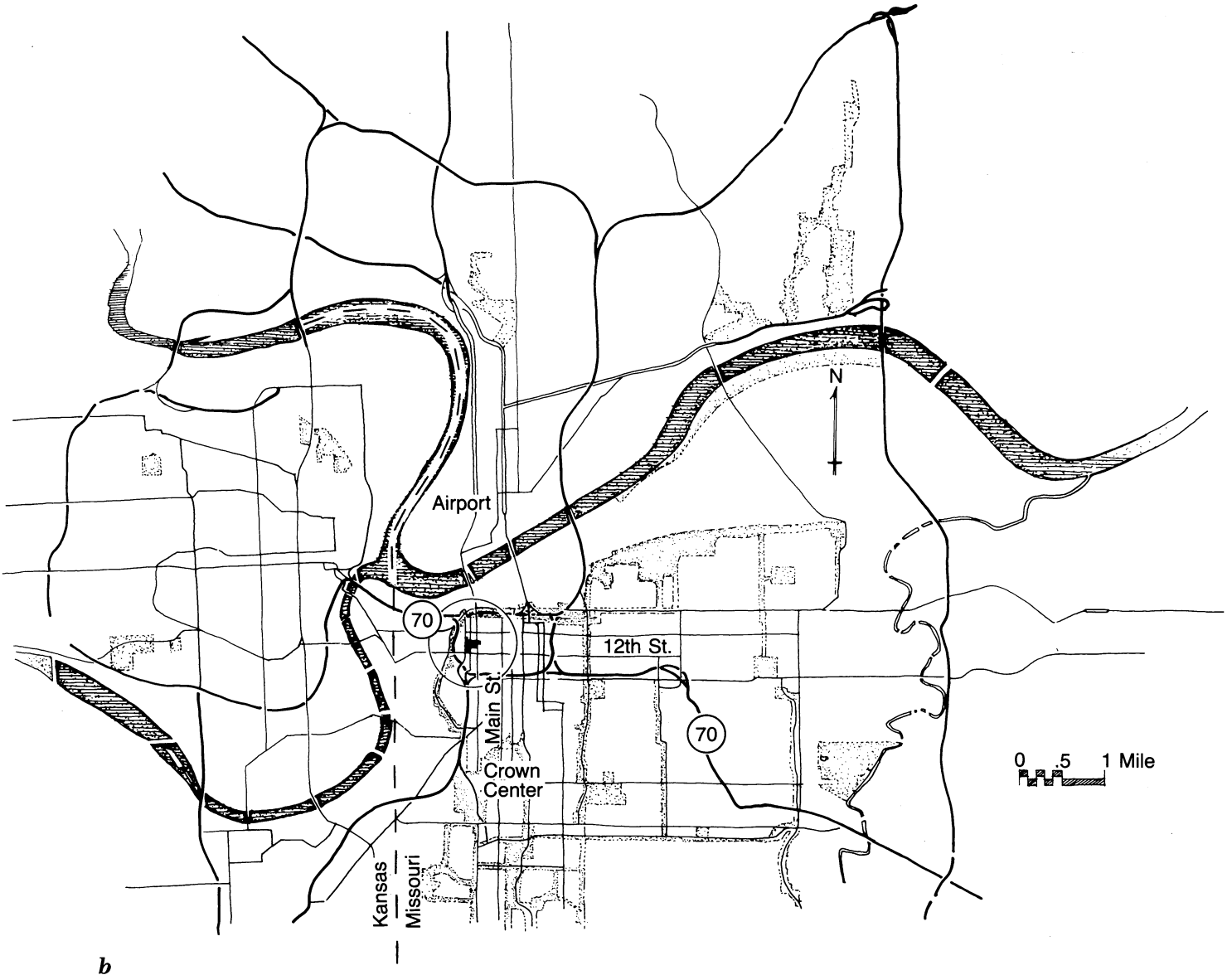
- New infill housing was built in a downtown area that had witnessed little residential construction in the previous fifty years. Quality Hill illustrates one approach to the challenge of how to obtain such housing in a historically difficult market.
- Extensive preservation work was carried out in a city where large-scale adaptive reuse of old buildings had previously been unknown.
- Quality Hill indicates how the involvement of the city's social elite can be used to spur an important venture in civic betterment.
- Quality Hill addresses an important question of scale: How large should a downtown area renovation and construction project be? In Kansas City a decision was made that the project would have to be large both in geographical scope and in the size of the investment (\$40 million).



a

Fig. 4-1. Location of the Quality Hill redevelopment in Kansas City.

- Quality Hill's progress stems from a remarkably comprehensive public-private partnership involving local foundations, banks, private investors, city government, neighborhood interests, and an experienced developer. The process of putting this partnership together and getting it to function over a prolonged period is a useful study in organization and negotiation.



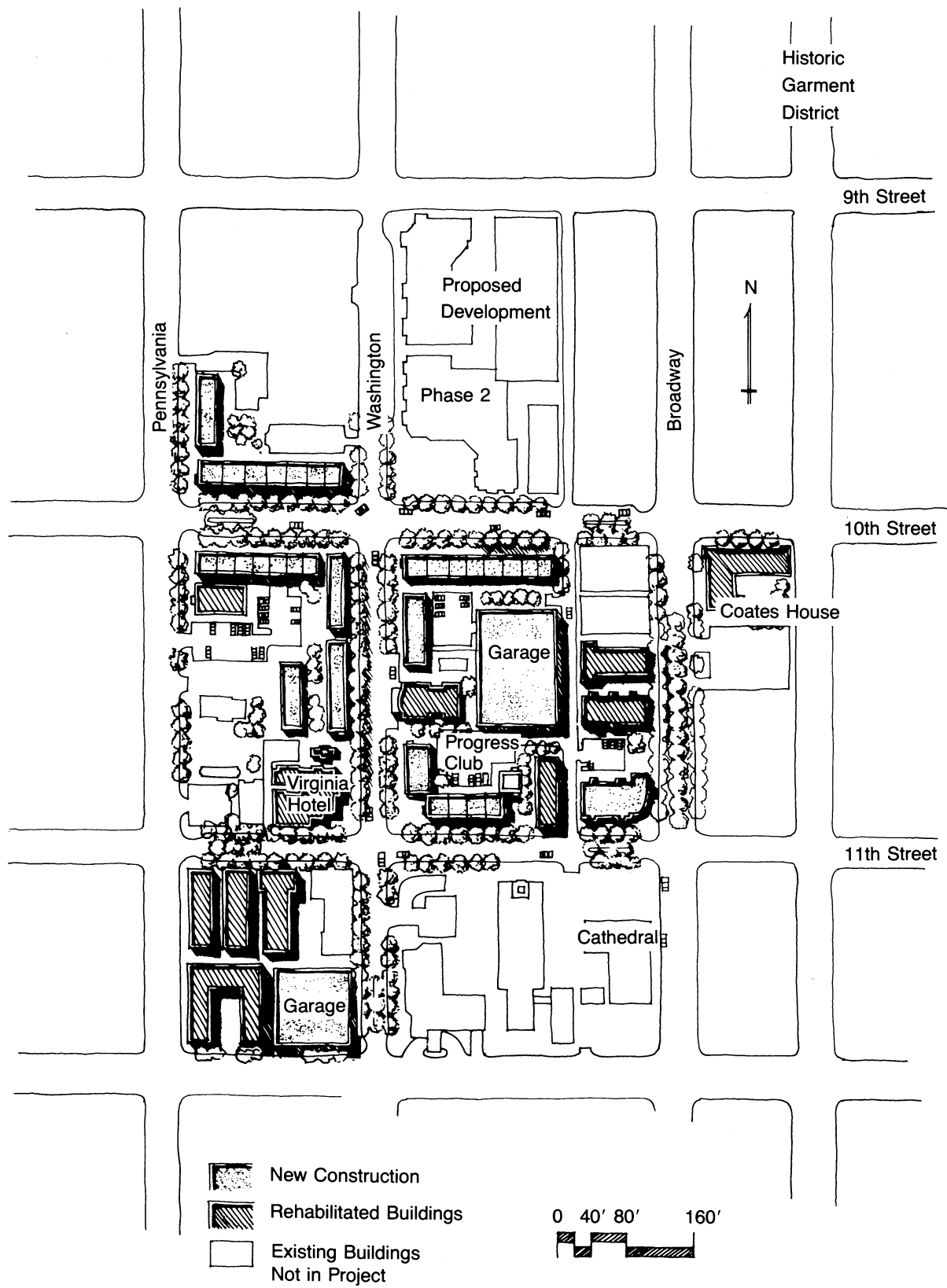


Fig. 4-2. Site plan of the Quality Hill redevelopment.

The Rise and Fall of Quality Hill

Quality Hill in the late nineteenth century was a place of social and architectural distinction. The area began to be settled in the 1850s, and in the 1870s and 1880s substantial houses and elegant apartment buildings were constructed on a bluff not far from downtown. This was where the cream of Kansas City's social elite lived. People of ordinary means looked at this domain of wealth and grandeur and, meaning to mock its pretensions, tagged it "Quality Hill." The name stuck.

The character of the area, however, began changing by the early years of the twentieth century. On the flat land below the bluff, stockyards moved in, and as the odors wafted upward, Quality Hill residents with the luxury of choice moved out. The area began its long slide into deterioration. After World War II the stockyards closed, putting an end to the offensive smells, but by then the damage had been done; many residents and businesses had gone to other parts of Kansas City.

The buildings had been sturdily constructed, some of them of brick, and consequently many of them managed to survive the long years of neglect. Nearly two decades ago, a local businessman, Arnold Garfinkel, looked at what remained in Quality Hill and saw the possibility of reviving an area possessing remnants of splendor. In 1971 he began buying Quality Hill property, the first step in the process of transformation (see Table 4-1). By 1981, according to the *Kansas City Star* (McClanahan 1985), Garfinkel had quietly purchased thirty buildings and 250,000 square feet of land, making himself a controversial figure—to some, a hard-boiled landlord, to others a man of urban vision. In 1981 he began laying out for the public his idea of redeveloping nine to twelve blocks—renovating the old mansions, hotels, and flophouses and turning Quality Hill into a district of good housing, upgraded shops, and restaurants. Still, buildings that Garfinkel owned remained in poor condition, some of them gradually being lost to fires and neglect (fig. 4-3).

Table 4–1. The Chronology of the Quality Hill Revival.

1971	Garfinkel acquires first of 34 buildings
1978	Coates House fire
1979	Preservation district designation
1980	Coates House acquired by Historic Kansas City Foundation
1981	Site study and proforma
1983	Conceptual plans completed
1983	Presentations to city, banks, foundations, and corporations
1983	UDAG awarded (2 months after application)
1985	Private placement memorandum (after 11 months of negotiation)
1985	Groundbreaking
1986	Beneficial occupancy
1987	14 out of 23 buildings completed

Source: 1987 RBA Selection Committee Briefing, Shibley and Welch.



a



b

Fig. 4-3. Typical level of deterioration in Quality Hill buildings in the 1970s.

The Partnerships That Put Quality Hill Back Together

The most innovative, unusual element of Quality Hill was the project's elaborate financial structure. Although not unprecedented in urban development, it was this that made a large-scale rehabilitation and construction project feasible in a city where little downtown housing had been built in half a century and where there was no substantial experience with preservation and adaptive reuse.

The crucial financial partnership took a long time to emerge. Garfinkel had amassed much of the property that would be needed for the project, but large-scale revitalization lay beyond his abilities. In the late 1970s and early 1980s there were mounting public demands for some sort of action on Quality Hill. An especially traumatic event—one that focused public attention on the area more strongly than before—was a disastrous fire in 1978 in the Coates House Hotel (a building not owned by Garfinkel). The fire killed twenty people. The hotel, which commanded the corner of Tenth Street and Broadway, was left partly ruined, with a big hole in one side. The owner proposed to demolish the damaged building, but the Coates House had been one of the most historically significant structures on Quality Hill. Built in 1887–1890, it was known in its early years as the most elegant hotel west of the Mississippi and had provided lodging for presidents Cleveland, Harrison, McKinley, and Theodore Roosevelt. The Historic Kansas City Foundation effectively mobilized opposition to the demolition, quickly producing a study showing that its renovation for any of a number of uses—retail, commercial, or residential—was feasible. In the remarkably short period of one year, the foundation and the Kansas City Landmarks Commission succeeded in having the area designated a historic district. Two months after the fire, the historical foundation acquired the Coates House, still in its partly destroyed condition, so that it could eventually be rehabilitated. The Rudy Bruner Award evaluation team of Polly Welch and Robert G. Shibley point out that this was a courageous act for an organization with limited resources and no developer yet willing to step in. (As it turned out, not only was the building renovated during the Quality Hill project, but the foundation gained greater financial stability because of its involvement.) Almost immediately after acquiring the hotel, the foundation invited the public to join in two cleanups. Shibley and Welch note that “the press coverage of leading citizens in mink coats ridding the building of debris apparently touched the imagination of the public.” The historical foundation's success in bringing in the city's elite helped make Quality Hill an area of greater interest to Kansas Citians of all backgrounds (fig. 4-4).

A second organization that played an important role was the Kansas City Neighborhood Alliance, which local business interests had backed as a catalyst for improvements in the city's neighborhoods. The alliance's executive director, Tony M. Salazar, first approached a St. Louis-based developer, McCormack, Baron and Associates, in 1980 and 1981, asking the developer to evaluate the potential of Quality Hill. Garfinkel was beginning to realize that he could not go on buying and holding dilapidated buildings indefinitely; he needed a developer who would start turning the buildings around. Salazar put Garfinkel in touch with McCormack, Baron.

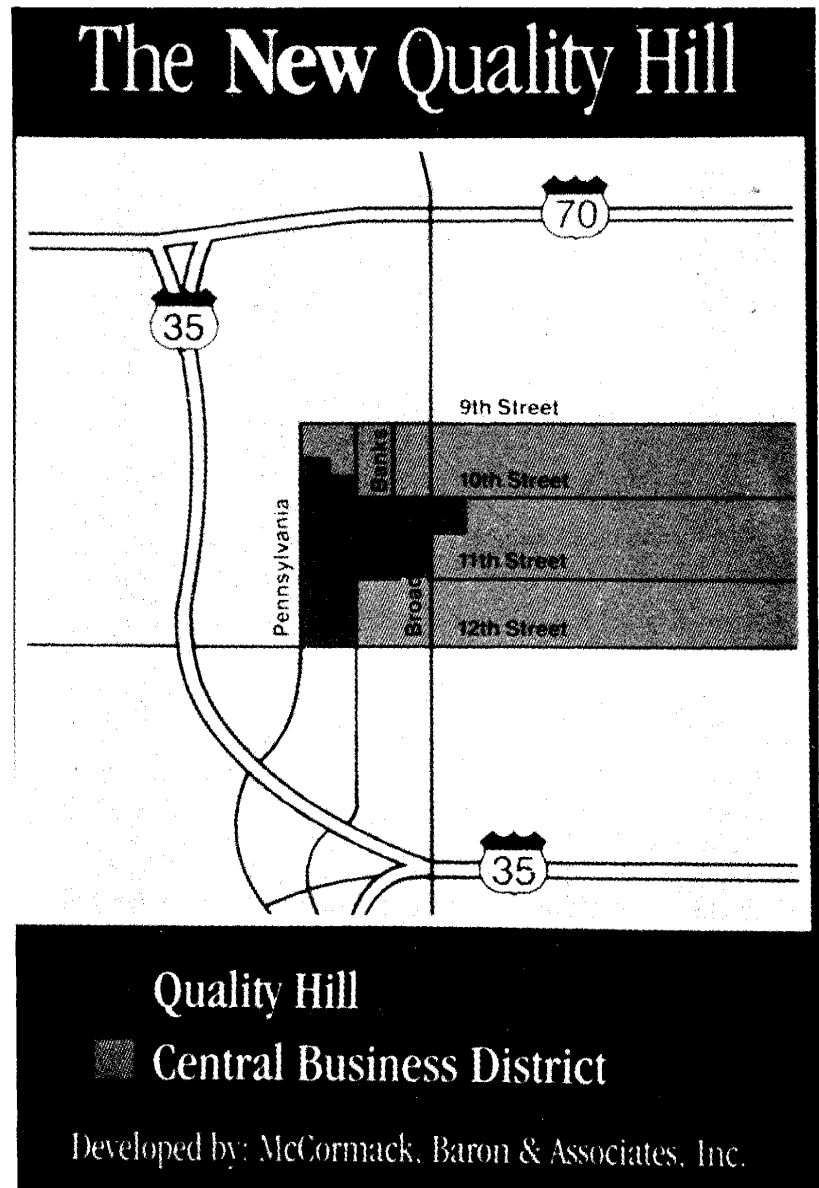


Fig. 4-4. The brochure that explains one of the primary virtues of living at Quality Hill: convenient downtown location.
(Courtesy of McCormack, Baron and Associates archives.)

The result was that in 1983 Garfinkel arrived at an understanding with the St. Louis firm, setting terms that would give him only a tiny share of the finished real estate venture. Essentially, he was promised one-eighth of McCormack, Baron's 1 percent interest in the limited partnership that would be formed to complete the project. The 1 percent interest was not McCormack, Baron's primary way of earning a profit in Quality Hill. Rather, the developer's profit was anticipated as coming mainly from some \$2 million in fees that McCormack, Baron would collect for organizing, planning, and implementing the project.

There were other important actors in this complicated urban revitalization drama. One was Bill Hall, president of the city's best-endowed foundation, the Hall Family Foundation, operating with money from the family

associated with the Kansas City–based Hallmark greeting card business. Though Bill Hall was not related to the Halls who founded Hallmark, he occupied a position close to the center of corporate and philanthropic power in Kansas City. The foundation’s board had decided, according to Hall, that “it wanted to see a revitalization of downtown. And residential was required.” Salazar, who had known Hall for several years, introduced Steven Stogel and Richard Baron, the sole stockholders in the development firm. The proposal from Salazar and McCormack, Baron “was an absolute fit” with the foundation’s purposes, which included maintenance of the tax base of the downtown and enhancement of its life-style and image.

What developed was an effective working relationship between Salazar and Hall, a combination of two very different sides of Kansas City life. “Streets and suites,” Salazar called their teamwork. A Hispanic who had grown up in a poor family, Salazar concentrated on getting the city government to back the project with generous allocations of federal and local funds. He used his credibility in the Neighborhood Alliance to persuade neighborhood groups outside the downtown that they should not block a major infusion of government aid into that area. A productive liaison with neighborhood groups is important in many cities, since neighborhood organizations often wield considerable influence and are wary of proposals to invest major government resources in the central business district rather than in the neighborhoods. Salazar’s advocacy undoubtedly helped in winning a more favorable response from the minority community as well.

While Salazar took to the public arena, Hall worked the corporate suites and local philanthropies, lining up business and foundation support for a project that he contended would bolster Kansas City’s economic well-being. The Hall Family Foundation agreed to lend a large amount of money at a low interest rate and to accept much of the responsibility for raising additional money from other philanthropies and other local sources, such as banks and corporations. “Out-of-town developers can’t get local donations,” Hall noted; thus the importance of having a local foundation take the initiative in organizing a local lending consortium.

Around 1980 some local businesses and foundations, including Hall’s, had attempted to put together a consortium to provide money for a major new hotel on Twelfth Street about two blocks east of Quality Hill. The 608-room structure, which was built in 1982–1984 as the Vista Hotel and has since changed its name to Allis Plaza Hotel, was accompanied by a new parking garage and renovations of a theater and a music hall; it has acted as a stimulus for downtown development (fig. 4-5). In the final financial package assembled for the hotel, it turned out that the local business and foundation consortium was not needed (although the Hall Family Foundation did put money into the \$65 million hotel). Even though the consortium did not go into action then, the effort was useful—it was an instructive practice run for the foundations and corporations that would later come together successfully in the Quality Hill venture. At Quality Hill, the local consortium’s goal was to raise \$4 million—\$1 million from Hall’s foundation, \$3 million from the other local sources. When the others’ contributions in a campaign of only about three months fell short, the Hall Family Foundation provided \$2 million of the \$4 million.

The “streets and suites” team managed to give the project credibility



Fig. 4-5. The Vista Hotel was the city's first experience in public/private partnership. (Courtesy of McCormack, Baron and Associates archives.)

across a broad spectrum of the Kansas City community. Other major actors were the city government, in which Assistant City Manager James I. Threatt played a key role, and McCormack, Baron, in which power lay with the firm's two stockholders, Stogel and Baron. Baron had been a legal aid lawyer early in his career, involved in renters' strikes and representation of public housing tenants. He was familiar with blighted urban areas, and rather than being discouraged by their problems, he saw opportunities there to create good housing. Stogel had been a tax lawyer. The firm, established as a consulting organization in 1974 and as a developer since 1978, had tackled urban projects dependent on public sector support and tax incentives. Baron's and Stogel's familiarity with these spheres helped them to persevere when other developers might have called it quits. Salazar, after devoting a great deal of energy to getting McCormack, Baron to take on the Kansas City project, left the Neighborhood Alliance and at the beginning of 1985 became a vice-president of McCormack, Baron, in

charge of work at Quality Hill. Threatt, seeing the potential for a reinvigorated image of the downtown that would help the business community, led the city's bargaining. He felt McCormack, Baron would be out to make money, like all developers, but he also felt that he could get McCormack, Baron to produce work that would improve the city.

The \$4 million from Kansas City foundations, banks, and business interests amounted to only one-tenth of the project's overall needs, but Shibley and Welch conclude that it was critically important. It demonstrated community support at high levels, and consequently stimulated the city to provide \$7.5 million of community development funds and to supply other assistance. The city granted tax abatements and invested \$3.2 million in public improvements, such as narrowing the streets at intersections to discourage traffic, planting trees, and installing period-style streetlights—all of which helped the developers to market the neighborhood as a city jewel (fig. 4-6). ("We agreed to hire *their* architect to design



Fig. 4-6. The city made many public improvements, including new sidewalks and lighting.

the public improvements,” Threatt emphasized.) Commitments such as these helped Kansas City obtain a \$6.5 million federal Urban Development Action Grant only two months after submitting the application. Threatt also supplied \$11 million in mortgage revenue bonds. The Kansas City newspapers were useful in sowing the seeds for popular support of the government package. Press coverage created an awareness that Quality Hill was dangerous in its current condition and that something major had to be done.

McCormack, Baron needed to supplement the government assistance and the \$4 million from the community consortium with a great deal of private capital. More than 100 limited partners agreed to invest a total of \$11 million in the project. The developer went ahead with the project only after obtaining financial backing from the wide array of public and private sources. The *Star* reported that the developer risked \$200,000 in planning and other professional fees before all the financial commitments were nailed down (McClanahan 1985).

Some of the institutions involved in backing the Quality Hill project saw it as financially risky, Shibley and Welch note. Banks chose to *give* money rather than lend it, presumably for fear they would end up showing a loss in their internal audits if the project failed. Motivations other than immediate economic return explain the project’s ability to garner such widespread support. Among these motivations were a concern for the city’s visible history, the hope for a downtown revival, and the desire to create a stable, mixed-income neighborhood. Some businesspeople had already invested in downtown and wanted to make sure that their existing investment did not turn out to be misguided; they had a built-in incentive to support the new venture.

The economic clout of the public, private, and philanthropic partnership that backed the Quality Hill Development is demonstrated in the following cost summary (1987 RBA Selection Committee Briefing, Shibley and Welch):

27%	First mortgage revenue bonds	\$11,000,000
16%	UDAG grant	6,550,000
20%	City of Kansas City, MO	7,450,000
27%	Limited partners capital	11,000,000
10%	Community consortium loan	4,000,000
	Total	<u>\$40,000,000</u>

The Challenges of Working with New Buildings and Old

The Bruner Award Selection Committee was pleased that although a few old buildings had to be demolished, McCormack, Baron managed to save thirteen historic buildings and to create a substantial number of infill structures. Some of the restoration and rehabilitation work is of high quality. The marble staircase of the Coates House has been restored, and ornate ironwork along the balustrade has been preserved. Much of the Coates House’s ground floor will be occupied by the Historic Kansas City Foundation. A marble swimming pool in its basement, not in good enough

condition to be restored within the project's budget, was left intact, in case it may be able to be made usable in the future. Apartments in upper floors of the Coates House retain many of their appealing spatial characteristics. They have ceilings as high as 11 feet, and the apartments on the building's most prominent corner are distinguished by two great bays, their windows capturing expansive views. The developers and their backers deserve credit for rescuing buildings from the edge of destruction, providing both interesting places to live in and buildings enjoyable to look at (fig. 4-7).

Another prominent building, the Virginia Hotel, built in 1877, had been a residential hotel, was broken into apartments, and suffered from poor maintenance through the years (figs. 4-8 and 4-9). The developers restored its great charm—rebuilding a front porch that had been torn off, cleaning the red brick that had been painted a less appealing grayish-white, and reconstructing the peaks that had been replaced by a flat roof. The Virginia, a physical hazard before McCormack, Baron began work, required major improvements on the interior, including redoing of rest rooms, elevators, and common areas. It is to be converted to offices (figs. 4-10 and 4-11). Close by, the Progress Club, which was built in 1893 as a club for Jewish Kansas Citians and was converted into a musicians' union hall in the 1930s, had gone through unfortunate modernizations. It is one of the most elaborate buildings in Quality Hill, with its dual spires and its three gables across the front. The exterior is receiving extensive restoration work, and the interior is being converted by the YMCA into an adult fitness center with an indoor track, weight-training equipment, a sauna, and other facilities (figs. 4-12 and 4-13).

Fig. 4-7. The Coates House during restoration.



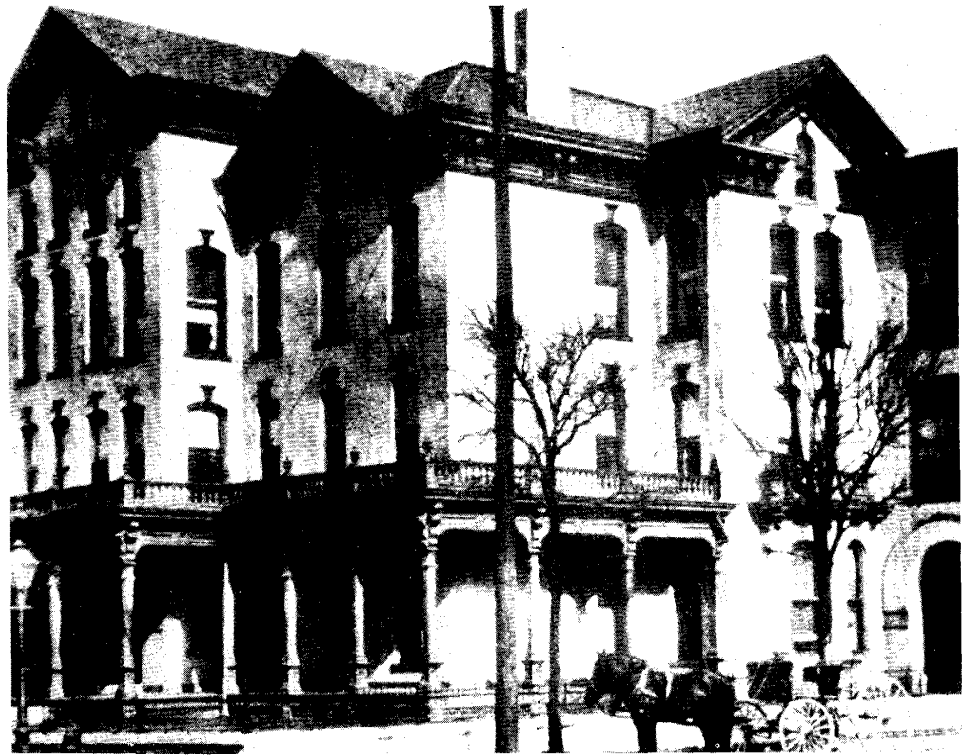


Fig. 4-8. The Virginia Hotel: original.
(Courtesy of McCormack, Baron and Associates archives.)

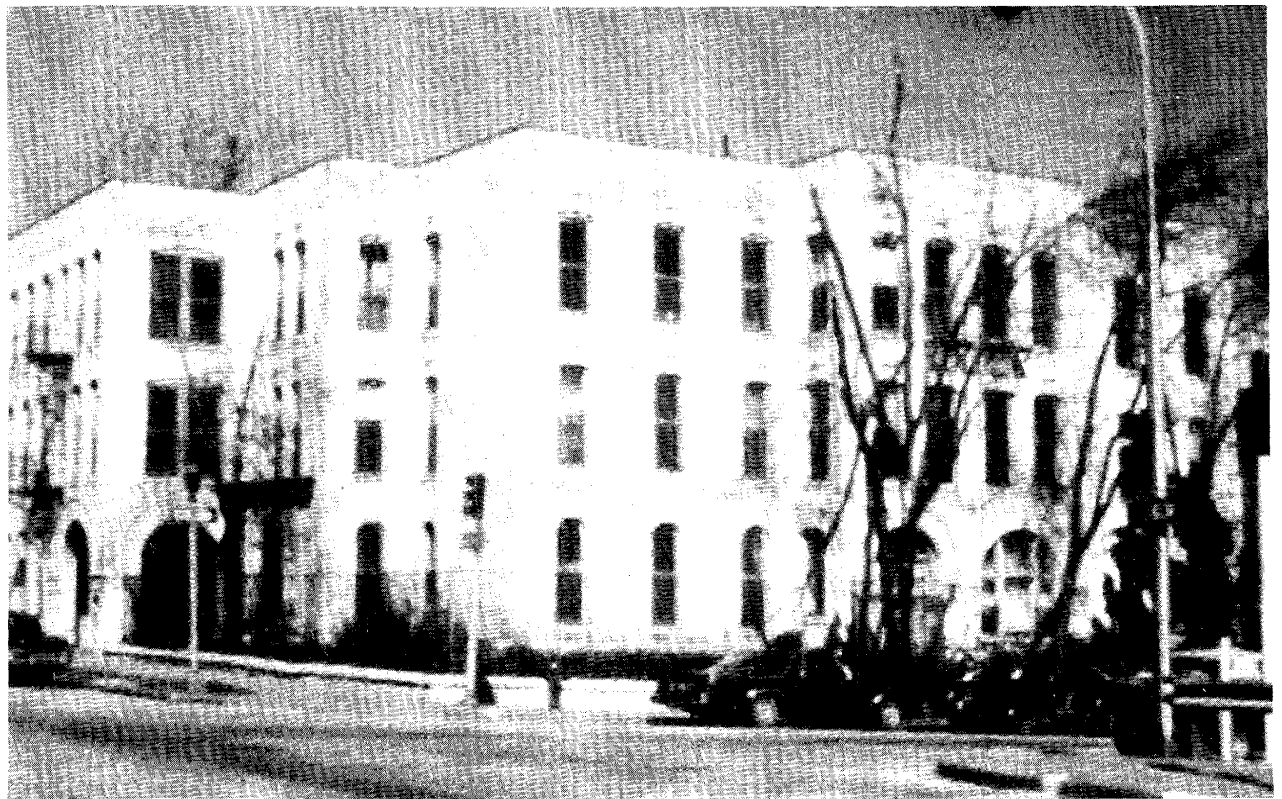


Fig. 4-9. The Virginia Hotel: as found by the developers.
(Courtesy of McCormack, Baron and Associates archives.)



Fig. 4-10. The Virginia Hotel: as proposed for redevelopment.
(Courtesy of McCormack, Baron and Associates archives.)



Fig. 4-11. The Virginia Hotel: today.
(Courtesy of McCormack, Baron and Associates archives.)



Fig. 4-12. The Progress Club: original.
(Courtesy of McCormack, Baron and Associates archives.)



Fig. 4-13. The Progress Club: reconstructed and surrounded by new townhouses.



Fig. 4-14. An entrance that is no longer an entrance.

The evaluation team and the selection committee were disappointed with how the developers handled two handsome apartment buildings constructed in 1926, the ten-unit Stratford and the twelve-unit Wellington. In those, the architects completely reorganized the interiors so that the original entrances, which were grandly positioned in the center of the facade, no longer functioned as main entrances, or as entrances at all (fig. 4-14). New entrances were obscurely located on the buildings' sides. In effect, an architectural language that everybody understood and that dignified the act of entering the building was stripped of its meaning. The nicely ornamented opening facing the street says one thing, but the truth is entirely different. One architect involved in the project says these changes resulted from the economic necessity of creating as many apartments as possible in the buildings and of organizing layouts superior to the original long, narrow floor plans. While such architectural problems may not have been easy to solve, the strategy settled upon in some Quality Hill buildings—that of leaving the old doorsteps intact (probably because of

preservation requirements) and then posting signs with messages such as “Not an Entrance: Use West Door”—is a clumsy expedient. The buildings do not look right, nor do they give residents the pleasurable sensation of following in the footsteps of those who inhabited Quality Hill during the years when it received fine design attention.

The newly constructed buildings at Quality Hill also generate a mixture of satisfaction and misgivings. The developers have tried hard to create new buildings that would fit in well with the old. One example of this is a five-story building called the “New Cathedral,” which stands, appropriately enough, near an old cathedral, and which contains commercial space on its ground floor and condominiums on the floors above. The new building, surfaced in red brick well-suited to its surroundings, curves along its most prominent corner, and fits into the district so well that some people may think it is an old building that has recently been renovated.

Most of the new apartments at Quality Hill are in pleasant-looking townhouses that line the street in a characteristically urban manner, not far back from the sidewalks (fig. 4-15). Their fronts and their end walls are surfaced in brick, with wood-faced projecting bays. The rhythmic sequence of the bays helps to prevent the buildings from becoming too monolithic. But the buildings’ rears are covered not in brick but in clapboard, without the permanent three-dimensional relief of projecting bays. The contrast of fancy front versus plebeian rear is commonplace in suburban subdivisions and it was familiar, too, in townhouse construction in the mid-nineteenth century in Boston and New York. But the backs of those

Fig. 4-15. New townhouses create a very urban feeling.



early urban buildings were dedicated to service uses. In Kansas City, the backs are much more prominent. They edge up close to parking lots and garages, so residents will undoubtedly use the rear more than the front as part of their daily routine (fig. 4-16).

Decks, partly covered by awnings, were installed on the backs of the apartments so that each household would have a small outdoor area (fig. 4-17). The decks—and some small areas beneath them that serve basement apartments—sit in plain view of the neighbors. Shibley and Welch found that the developers did little to anticipate how the occupants might want to use outdoor space. Electrical lines and heating and air-conditioning equipment clutter the rear areas, and there is virtually no space for gardening. The emphasis has been on building flats and townhouses with two bedrooms, to accommodate singles or couples without children, so it can be argued that a sizable yard for family activities is unnecessary. But it seems inevitable that some residents will have babies, planned or not, while living in the apartments. The lack of an easily accessible outdoor area suitable for young children (decks are far from ideal) will likely cause frustration. If the history of urban housing and St. Francis Square teaches anything, it is that over the years dwellings often end up being inhabited by households considerably different from those the builder had anticipated; the site planning of the new Quality Hill apartments, with their backs tight against the parking lots, does not allow much flexibility for future needs (fig. 4-18). Shibley and Welch raised questions about views and safety, because of the parking treatment, and

Fig. 4-16. Parking areas dominate the back sides of the townhouses.

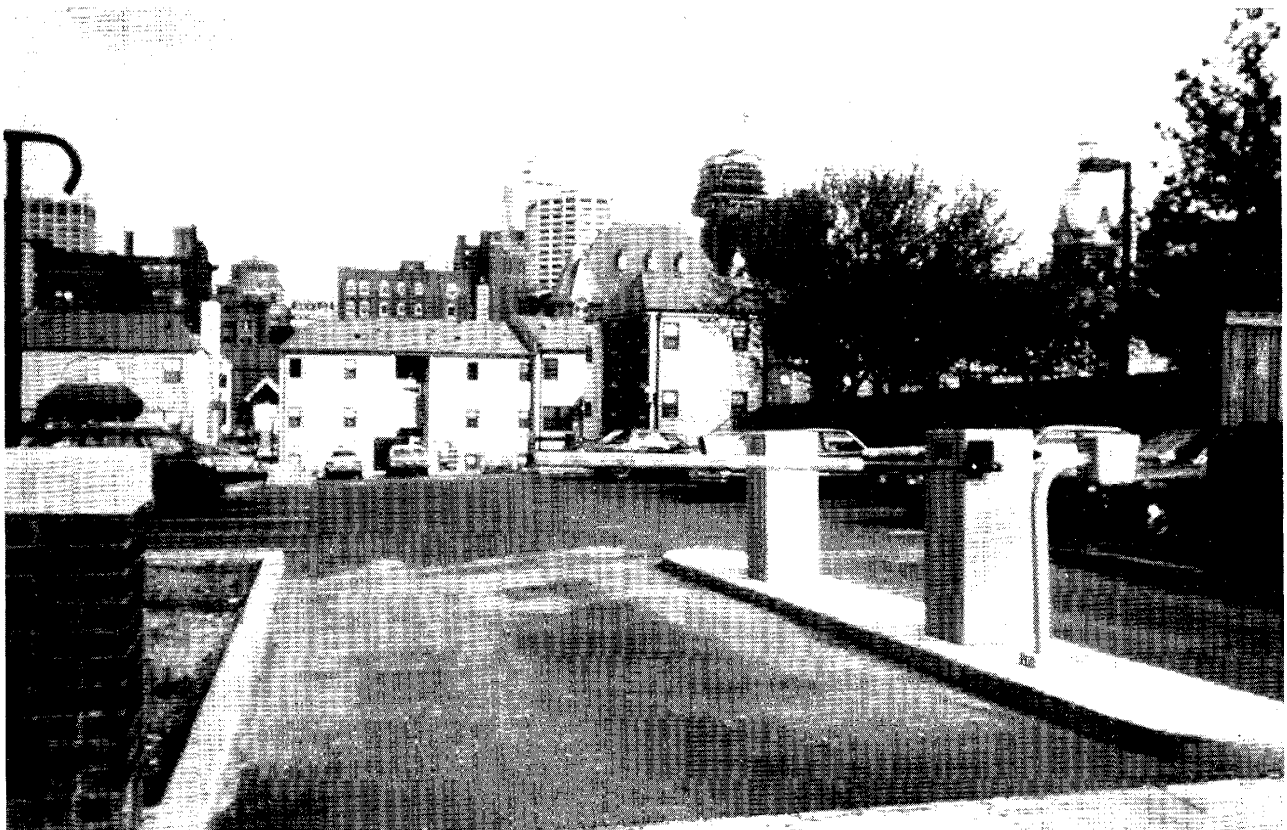




Fig. 4-17. Each townhouse has a deck.



Fig. 4-18. The rear yards of townhouses leave little room for children to play.

noted a lack of access around the site for people with physical disabilities. But while the selection committee expressed concern about these shortcomings, it also pointed out that it is too soon to give Quality Hill a definitive judgment. A few years of occupancy will be informative. It is possible that later work in Quality Hill will redress the shortcomings of the initial phase.

On the whole, the participants in Quality Hill deserve credit for their pioneering—for organizing the largest program of adaptive reuse in Kansas City’s history, for producing the first downtown housing in half a century, and for fitting new housing in among the old buildings. This is work of great complexity. As William L. Bruning, a former president of the Historic Kansas City Foundation, observed, “McCormack, Baron has got to be credited with the scope of vision they had.” Linda F. Becker, former director of research for the historical group, said she is happy with the scale of what has been built and rehabilitated. “Considering what [the developers] were confronting, this is much better than anything we expected.”

The Social Composition of the Revitalized Quality Hill

The Rudy Bruner Award evaluation team was disturbed by an important element of the rehabilitation process—the displacement of two hundred low-income people who had lived in the area. Several of the buildings were empty, but a half-dozen were not. Those in some buildings were nonrent-paying indigents and therefore not considered true “residents”; they would presumably find another vacant building to camp in. Some of the legitimate residents, however, had lived in the neighborhood for quite a while and were upset at having to move, on short notice, in the winter of 1984–1985. “Nobody seems to care about us, and it’s kind of hard to find any place to live,” the manager of a pair of apartment buildings in Quality Hill told the *Kansas City Times* in November 1984, when the buildings were facing a shutdown for renovation (Jackman 1984). Some small businesses had to close or relocate after many years of operating in Quality Hill. Some people received relocation assistance, but on the whole, the existing residents—mostly elderly, poor, and minorities—were treated with far less concern than were residents and businesses in Seattle’s Pike Place Market area during that development’s renovation.

The developers expressed pride at creating a neighborhood in which incomes range from \$12,000 to \$75,000. The extent to which a cross section of income groups will continue to inhabit the new and rehabilitated buildings, however, is unclear. “We weren’t trying for low-income [residents]. We had that,” says Mark Bunnell, director of planning and urban design for the Kansas City Redevelopment Authority. Far from being discouraged by the possibility that the 4½-block project will eventually be inhabited by the affluent rather than by a mixed-income group of residents, Hall describes this as one of the most hoped-for outcomes of the project. He views the project as designed in large part to make it acceptable for middle- and upper-income families to move back downtown. Affluent singles and prosperous working couples without children would be welcomed by the community lending consortium as a reversal of the middle-class exodus to the suburbs.

In cities that have lost much of their middle class and that lack downtown liveliness, sentiments like these are common and understandable. There is a desire to reestablish the city's attractiveness to those with choice and to bolster the city's image as a vital place for the up-and-coming. Already Quality Hill seems to have enhanced the appeal of downtown for people with choice. A few blocks from Quality Hill, Kansas City's Garment District had been on the decline. Most of the manufacturers had moved production activity out of its solid old brick buildings, leaving behind not much more than warehousing operations. Partly because of the improvements in Quality Hill, much of the Garment District is rapidly being converted to apartments, many of them occupied by singles and childless young couples who are new to downtown. "The success of Quality Hill changed the perception of downtown living," Bunnell said. Kansas City, which had about 2,500 housing units downtown prior to the start of the Quality Hill project, now has approximately 3,000, and city officials expect the number to rise beyond 5,000. In a downtown that has been known for going dead by 5:30 in the afternoon, this is no small accomplishment.

Nonetheless, some question using substantial amounts of public funds to serve the affluent, and they wonder whether the values being pursued are broad enough. The Bruner Award Selection Committee voiced a preference for what was accomplished in Seattle, where public policy preserved a mixture of income groups within the project, providing a good deal of assistance for those of limited income who have lived in the downtown area for years. In a number of cities, particularly on the East and West coasts, affluent people moving into downtown or near-downtown housing are often attracted by the idea of living among a varied population. They are also drawn by other advantages, such as proximity to work, nighttime activity, and a marketplace. Perhaps a diverse population is less of an attraction to affluent potential city dwellers in the Midwest and the South, but certainly such mixing deserves consideration.

The expectation is that over a period of time, rental apartments in the redeveloped portion of Quality Hill will be converted into condominiums. On the whole, this will probably favor those with more wealth. Indeed, because of popular demand, some condo conversion has already taken place. One factor that will ameliorate the shift toward wealthier residents is a program for reinvesting the UDAG funds that were initially used to support construction of the housing units. An average of \$15,000 per housing unit came from low-interest UDAG funds. When an apartment is sold as a condo, that \$15,000 will not go back to the city for use elsewhere, as is customary with UDAG funds. Instead, the \$15,000 will be provided as a second mortgage to the condo buyer, at no interest if the buyer's income is under \$60,000 a year and at 5 percent annual interest if the income exceeds \$60,000. Moreover, the \$15,000 can be counted as part of the down payment needed to qualify for the first mortgage. The result is that people of moderate means will have a better opportunity to purchase the condominiums.

Shibley and Welch point out that the 4½-block area should be seen in the context of the entire Quality Hill area and the rest of downtown. The apartments in the adjoining parts of Quality Hill are moderately priced, they note; so Quality Hill can be a mixed-income neighborhood even if the great majority of people in the McCormack, Baron area are well off. Shibley

and Welch emphasize, too, that the developer encouraged formation of a neighborhood association encompassing not just the project area but also areas nearby. This, Shibley and Welch say, should help to alleviate the tendency for new residents and long-time residents to feel like separate camps; they will have a better chance of acting together on community concerns. For example, the developer sponsored a session on personal safety that appealed to elder residents in the high-rise apartment buildings. The nearby residents also will benefit from the increased services and commercial outlets in a redeveloped Quality Hill.

The goal of the project was to affect the downtown as a whole, and although it is premature to project the outcome so soon, many observers are pleased with the accomplishments thus far. The public–private partnership succeeded in revitalizing a dying urban neighborhood. Kirby Turner, executive vice-president of the Historic Kansas City Foundation, had this comment: “Without this project, we would still be waiting for the revival of downtown Kansas City.”

Quality Hill’s Public–Private Partnership: Lessons for Other Cities

Quality Hill demonstrates that a substantial urban revitalization effort can be carried out by a public–private partnership. What, then, are the opportunities and limitations likely to apply to such partnerships?

A critical element in the Kansas City effort was the \$4 million contribution from sixteen philanthropic, banking, and corporate sources. This contribution came about after backers had researched the character of the developer and evaluated the project’s viability. Can support of this sort be arranged frequently, not only in Kansas City but in many other cities? The answer is not clear-cut. Hall, who is associated with the foundation that assumed the lead role among philanthropies, asserts that a foundation should get involved in a project like this only if it fits the foundation’s declared purposes. In addition, he thinks the project has to be big. Perhaps the most important reason for this is the economy of scale. Start-up costs are likely to be high. If a foundation like Hall’s is going to put considerable time and legal expense into urban development, it makes sense to tackle a large undertaking, where the return on the effort can be substantial. Little projects, Hall says, can eat up a foundation’s energy without producing dramatic results. According to Hall, “You have to do very few of these things, with very big dollars, and with a clear understanding of the program.”

A second reason for doing few but large projects is to be able to buy up the holdings of slumlords early, at relatively low prices, so that speculators in dilapidated properties do not profit excessively from less comprehensive acts of revitalization. The success of an urban development project can drive up the prices of property nearby. Future projects in the vicinity become more costly and reward those who should not be rewarded. As Hall puts it, “You must understand the consequences” of an urban development undertaking. “That is another reason for doing a big one first,” he says.

Philanthropic involvement is complicated by the operating procedures that foundations customarily follow. Foundations are accustomed to giving

money away, not to making subsidized loans for real estate ventures. Hall emphasizes that if foundations were asked frequently to lend money at below-market rates, they would need a staff with investment evaluation expertise—a form of expertise that foundations usually do not possess.

Those factors limit foundation involvement, and they need to be considered seriously. On the other hand, foundation involvement has worked—and worked well—at Quality Hill. It can be argued that if large support of this kind can be arranged in Kansas City, similar backing may well be obtainable for important projects in many other cities. Hall reports that compared to other cities of similar size in its region, Kansas City ranks low in philanthropic dollars per capita. Furthermore, he says, “Kansas City tends to be a branch office city,” with less access to major corporate donations. If a deal of this kind can be arranged under these conditions in a city without a history of such undertakings, surely there is potential for attempting similar things elsewhere.

One of the most serious difficulties of a financial structure like Quality Hill’s lies in trying to iron out agreements among so many different parties who have conflicting interests. There were times when the plans for Quality Hill nearly fell apart because of conflicts among those who were intending to participate in the project. Negotiations dragged on and were kept alive only because so many of the participants were determined to make Quality Hill a success. It is almost inevitable in a large-scale preservation and construction project that surprises will crop up. Some buildings will require more money than anticipated. Some of the proposed uses may need to be altered. It may make sense to shift some rental apartments to condominium status, as has taken place during construction at Quality Hill. If changes like these affect the financial structure, the administrator may face tedious and complicated discussions in trying to get all the parties to agree to alterations in the project.

As McCormack, Baron’s representative in charge of the Quality Hill project, Salazar spent long periods of time negotiating modifications agreeable to all. City officials need to be prepared for prolonged, hard negotiations with developers. Salazar had first enticed Baron to look at opportunities in Kansas City in 1982, but it was not until March 1985 that physical work got under way at Quality Hill. McCormack, Baron’s discussions with city officials have sometimes been tough. Threatt, who is black, was at first reluctant to agree to the developers’ request to plow money from the UDAG repayment back into the project, for the city has often used such money to support minority programs. But he was persuaded to allow this because of the opportunities for minority contractors to work on the project and the potential for Quality Hill’s second phase of construction. That phase, which began construction in September 1988 with the help of a \$2.5 million UDAG loan and a second mortgage contribution from Hallmark Cards Inc., called for a 300-car parking garage, 51,000 square feet of commercial and retail space, a new fifteen-unit residential building, and conversion of the old Cordova Hotel to thirty-one housing units.

In such an elaborate financial structure, public officials need to feel confidence in the developer. The ability to inspire such confidence was one of the traits that made McCormack, Baron a good developer. Threatt and Hall both praised the developer’s integrity and sometimes brutal honesty.

For instance, Stogel and Baron calculated that the project would cost \$40 million, yet market rents would bring in only enough revenue to retire \$11 million in bonds. The developers were unwilling to budge from the \$40 million they saw as necessary; it took well over a year to identify the capital and methods to fill the \$29 million gap. The city persisted in the difficult search for funds because it believed in McCormack, Baron's figures and in the St. Louis firm's determination to make the project something that Kansas City would be proud of. Threatt sensed that McCormack, Baron was "attentive to the bottom line" but "not so greedy" as to do a project that would end up disappointing the other participants. In his estimation, "there was a willingness to give and take without compromising quality." In fact, Threatt says that rather than making money on the first phase of Quality Hill, McCormack, Baron ended up plowing its \$2 million profit back into the project and consoling itself with the thought that laudable work in the first phase would lead to profitable future developments. Salazar's view is that McCormack, Baron refuses to lower the quality of its housing when it is going into a blighted area. "We don't differentiate," he says, "between market-rate and subsidized housing. We don't want something that people will look at five years from now and say it's just another project."

Shibley and Welch suggest that the background of McCormack, Baron's leaders helped to make them good developers. One element of that background was Baron's somewhat visionary experience of having worked in tough urban areas and recognizing the potential there. Another element was knowledge of complicated economic realities involving the real estate market, construction, government programs, and tax incentives. McCormack, Baron has produced thirty-three developments in eleven cities, involving about 4,200 housing units, so it has an ability to recognize what will make a project fail or succeed.

Large-scale urban development projects involving restoration of historic structures for housing or mixed use are difficult because they are less economical than other kinds of projects, according to Stogel. "They require a strong partnership of the most influential leaders from both the public and the private sectors." An experienced for-profit development company should be in the lead position, he says, because it can command the capital necessary for large-scale high-quality projects, whereas community organizations and city governments cannot.

Issues and Values at Quality Hill

Quality Hill demonstrates substantial rewards that can come from a public-private partnership that is carried out with ambition and determination. Those who were involved in it deserve praise for taking the risk of being first in a midwestern city where a project of this complexity was unprecedented. The developer accepted financial risk and risk to the firm's reputation if the project failed. The governmental leadership faced political risk. The banks, businesses, and foundations risked being seen as imprudent. In short, the project is noteworthy as

- The first major public-private partnership to succeed in Kansas City
- The largest preservation undertaking in the city

- The greatest downtown housing production effort in Kansas City in half a century
- The first major experience for Kansas City with infill construction in an area of historic buildings

Kansas Citians marvel when they look at Quality Hill and reflect on how much improvement has been achieved in a little more than three years (see fig. 1-5). Shibley and Welch point out that many different segments of the Kansas City community performed important services at different stages in the process of reclaiming a desolate area. Preservationists spurred much of the initial public enthusiasm in the aftermath of the Coates House fire. Their ability to bring the social elite into the Coates House cleanup helped make Quality Hill interesting to a broader spectrum of the community. The press helped to designate Quality Hill as an issue on the public agenda. The Neighborhood Alliance identified a developer well-qualified to tackle Quality Hill and helped broker the agreement that would get the project started. The business and philanthropic community and the city, with help from the federal government, brought these hopes to fruition.

The achievements of a city reflect that city's values and processes. In Seattle, the preservation and revival of Pike Place Market reflected the populist tradition of the referendum and a citizens' group's desire to save not just buildings but a social ecology. In San Francisco, St. Francis Square emphasized racially integrated, affordable, democratically operated housing because of such leaders as the Longshoremen's Union, the humanistic teamwork of architects and landscape architects, the Redevelopment Agency's desire to reclaim a rundown area, and the black community's growing opposition to "Negro removal." Those urban places consequently pay considerable attention to the needs of low- to moderate-income people.

In Kansas City, one gets the impression that the business community wields great influence, both directly and through government and non-profit organizations. The values that receive heavy emphasis include order, economic development, appreciation of real estate and the tax base, and enhancement of the city's image, particularly among those in the middle and upper classes. Quality Hill symbolizes those values and some additional ones, including preservation of the city's architectural and historical legacy and the desire to create a lively downtown. The flaws that have been identified in the redeveloped Quality Hill suggest that when business and business-allied organizations are by far the dominant partners in a public-private partnership, some elements that make for a humane and sensitively designed city may be overlooked. Good as Quality Hill is, the development might have done more to anticipate the needs of its inhabitants, particularly in the areas outside their apartments or condominiums. Those of moderate income were not forgotten, but most of the benefits of the 4½-block area have been geared toward the affluent. The process of reviving Quality Hill paid less than devoted attention to the poor who had lived in the area. Perhaps in cities where business enjoys great influence, business would be well advised to seek out and, if necessary, nurture nonbusiness perspectives. It is hard for one part of society, with its eye mainly on economic matters, to take in the full sweep of urban possibility. From a

greater diversity of opinion, it is possible that improvements will flow, benefiting everyone, including those in the business community.

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