An Analysis of the Impact of Downtown Development Corporations on the Redevelopment Process

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Dedicated to my wife Maureen for her unselfish support of my endeavors in the field of Urban Planning.
Chapter 1: Introduction

Since the 1970's a variety of organizations involved in downtown redevelopment have come into existence, and over the past ten years their numbers have grown significantly; as have the variety of task they are organized to accomplish. These organizations include: downtown business membership organizations, downtown alliances, business improvement districts, downtown development corporations, and other organizations that are organized specifically to manage downtown parking and/or security. Some of these organizations focus on a single area while others concentrate on many different aspects of downtown maintenance and redevelopment.

These types of organizations have existed in one form or another since the end of World War II, but earlier downtown organizations were, for the most part, simply business organizations similar to chambers of commerce. More recently these organizations have evolved to become much more sophisticated and multi-dimensional (Segal 1998). In many downtowns today a management organization will work in conjunction with several other organizations, some of which are subsidiaries, to carry out the complex processes required for central business districts to be successful in today's diverse market. These different organizations fulfill a diverse mix of functions from providing maintenance and security to acquiring real estate and initiating the construction of new projects (Segal 1998). Richard Bradley, former president of the International Downtown Association, defines these management organizations as follows:

"The entrepreneurial holding company partnership organization is capable of responding efficiently, effectively, and with a high degree of accountability to the many complex demands that must be met if a downtown is to be attractive dynamic, economically viable, and productive. It is a means of governing the center of communities through a partnership involving public, private, and civic sectors.

Increasingly, downtowns require multi-dimensional organizations which, while construed as a partnership, take the form of a holding company with subsidiary elements. Whether or not it has a simple or
complex form, it is entrepreneurial in nature, maximizing revenues and resources for multiple services. Its ultimate goals are continued economic and social renewal.” (Segal 1998, p. 86)

Table 1 contains a list of these organizations and the role they fulfill in revitalizing downtowns.

**Table 1.1: Entrepreneurial Holding Company Components**

<table>
<thead>
<tr>
<th>Type</th>
<th>Structure</th>
<th>Roles</th>
<th>Funding Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Membership Organization</strong></td>
<td>Private and Selective</td>
<td>• Operates for the benefit of members</td>
<td>Membership dues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provides leadership, advocacy, and direct member services</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Promoter and advocate (similar to a chamber of commerce)</td>
<td></td>
</tr>
<tr>
<td><strong>Development Corporation</strong></td>
<td>Public/private partnership and representative</td>
<td>• Operates for public services</td>
<td>Contributions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provides planning a project development services</td>
<td>Grants</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Facilitator and problem solver</td>
<td>Earned Income and fees</td>
</tr>
<tr>
<td><strong>Management District</strong></td>
<td>Quasi-public and responsive to ratepayers within a defined district</td>
<td>• Operates to enhance public services</td>
<td>Assessments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provides services to manage the downtown environment</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Service Provider</td>
<td></td>
</tr>
<tr>
<td><strong>Events Corporation</strong></td>
<td>Non-profit or for-profit production company</td>
<td>• Operates to provide entertainment</td>
<td>Sponsorships</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Develops, packages, finances, and manages events</td>
<td>Event Revenue</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Producer</td>
<td></td>
</tr>
<tr>
<td><strong>Parking Corporation</strong></td>
<td>Nonprofit public benefit corporation</td>
<td>• Operates to privatize parking management and facilities</td>
<td>Contracts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Manages publicly or privately owned lots and garages</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Markets and manages downtown parking</td>
<td></td>
</tr>
</tbody>
</table>

Examples of these downtown management organizations can be found in almost every major city in the country and in many small cities as well. The International Downtown Alliance claims that more than 1,000 of these organizations exist in the United States and Canada (Segal 1998). Of these many organizations, the focus of this report is downtown development corporations. They can be defined as:

- 501 (c) 3, 501 (c) 4, or 501 (c) 6 nonprofit corporations;
- Associated with, or tied to a city or county government;
- Involved with capital improvement projects;
- Able to negotiate private-public partnerships;
- Primarily involved in downtown redevelopment.

These corporations can exist as independent entities with ties to a municipal government, but are often a subsidiary of a downtown partnership or alliance. They are organized in a variety of different ways and the task they seek to accomplish vary greatly as will be seen later in this report. While the above definition initially applied to all the corporations in this study, in some cases, the mission and relationships of a given corporation has changed so that the definition no longer applies. Those organizations outside the scope of this report are: business membership organizations, organizations created solely to administer business improvement districts; and organizations involved only with downtown security, maintenance, or parking.

The Need for Downtown Development Corporations

New downtown development corporations are being created every year, but many of the successful downtown development corporations that exist today were first organized in the 1970’s in an effort to overcome the decline of downtowns and, in many cases, to initiate a second attempt at revitalization after the initial failure of some earlier redevelopment efforts. In this introduction I will discuss three reasons why these
nonprofit development corporations have become essential assets in the downtown redevelopment process.

First, the decline of America's downtowns represented a market failure and these corporations have been necessary to inject new sources of funding into downtowns and use new strategies to bring about revitalization. Second, the initial response to the decline of downtowns in the form of large urban renewal projects was for the most part a failure that often made the situation worse. Third, the advocates of these big project solutions failed to recognize that the role of downtown had changed, and that successful redevelopment required a variety of solutions including mixed-use development. Each of these topics will be addressed separately in the pages that follow.

Market Failure

Before the rapid decline of downtowns that began more than 50 years ago, the special attention and funding now focused on downtowns through organizations such as downtown development corporations was unnecessary. Today they are necessary because run-down and vacant downtowns represent market failure. This market failure was brought about as more people obtained automobiles, and this new mobility led to an exodus out of the inner cities and into the suburbs. This process was subsidized through the actions of federal, state, and local governments which included the funding of the infrastructure needed to support automobile transportation, loan programs favoring single-family housing, and a near abandonment of support for public transportation in many urban areas.

At the beginning of the twentieth century and even as late as 1950, the situation was much different. Central business districts were vibrant places containing the highest land values in the city and every economic function including retailing, office/finance, and entertainment (Robertson 1995). Many cities contained a streetcar system that was laid out in a radial pattern with all lines converging on the downtown area, and thousands of people traveling there daily to work, shop and conduct business. Because of the large number of people that visited downtown, it became advantageous for entertainment businesses to locate there as well. Movie theatres, sports arenas,
restaurants, bars, and museums made downtown a worthwhile destination even for those people who had chosen to live outside the central city (Robertson 1995).

No intervention was needed until the proliferation of the automobile, which began in the 1920's signaling the end of this golden age for the central business district. In fact, Abbott (1993) points out that in the period directly after World War II, central business districts were seen as holding the same place they had in the 1920's when downtowms were "the place to be."

Unfortunately, that would soon change as government programs aided the automobile in becoming the favored mode of transportation. This should; however, in no way be construed to imply that the average citizen was forced into an over-reliance on the automobile. One resident of Los Angeles in the late 1940's remarked that at the time he was eager to see the transit cars removed from the downtown area because they simply got in the way of all the new automobiles (Davis 2002). Still, the end result was market failure and government actions were responsible in many ways for accelerating the decline of central business districts throughout the country. In turn, the decline of urban centers required revitalization.

**Early Revitalization Attempts**

When the movement to the suburbs inevitably began to take its toll on downtown businesses, the problem was first seen simply as one of access. A common strategy for improving this access was to build a system of highways encircling and enlarging the downtown district. These highways were then connected with widened boulevards designed to connect the neighborhoods to the downtown area (Abbott 1993). Rather than correct the problem these solutions simply made circulation easier for the automobile leading to the further decline of central business districts.

The next response to this decay of urban centers came in the form of the Housing Act of 1949 also known as the Urban Renewal Program. The purpose of the Urban Renewal Program was to remove slums and replace them with a more "desirable" built environment. Amendments to the Urban Renewal Program passed in 1954 and 1959 in effect transformed this legislation into a downtown renewal program (Abbott 1993). The removal of the slums provided much of the space needed for the downtown
revitalization projects that were to take place from the 1950's to the 1970's. Public and commercial buildings were planned for about 50% of the new construction that was to take place with the remainder intended for industrial and residential purposes (Anderson 1965).

These large revitalization projects often displaced poor, mostly minority residents. These actions removed much of the downtown population and made many central business districts even more dependent on attracting suburbanites instead of providing services for the people that had already lived there. Although a large part of the new development under the Urban Renewal Program was intended for residential purposes, only ten percent of this new housing was actually affordable by those who had been displaced (Anderson 1965). These strategies aimed at attracting residents to live downtown were doomed to fail as developers and banks found it much safer to invest in suburban housing. Eventually commercial interest came to the conclusion that central business districts were only suitable for commercial businesses like office suppliers, restaurants, hotels, and entertainment (Birch 2002).

The Urban Renewal Program and subsequent action by the federal government had in effect turned many downtowns into single-use areas dedicated only to governmental and office functions. Daytime businesses that located in urban centers provided services for those people still working downtown. At night when these workers returned to their homes in the suburbs, the downtown area became virtually abandoned and often unsafe.

A New Role for Downtown

One strategy used in Urban Renewal to compete with the suburbs sought to change the physical design of downtown by building shopping malls and creating other suburban amenities as urban centers. This concept had little success as city residents found it easier to remain in the suburbs and patronize the shopping malls there rather than travel downtown where it was often difficult to find parking.

However, since the early 1990's many residents have recognized a new role for urban centers and have created a “downtown renaissance.” Brent Coles, the mayor of
Boise, Idaho believes that downtowns play a unique role in cities that cannot be provided by suburban shopping malls (Hudnut 1998). Coles goes so far as to encourage cities to not compete with suburban malls but rather create a unique experience in downtowns based on specialty shops, historical buildings, museums, and cultural activities. Those involved in the downtown renaissance movement understand that downtowns must find their own niche and build upon their own strengths. Essential to this downtown revival is the provision of mixed-use residential and commercial development. These new occupants of downtown residential properties, mostly young urban professionals and empty nesters*, provide a sufficient level of street activity to support restaurants and entertainment and in the process deter crime and attract new business from the suburbs (Lassar 1999).

Those engaged in downtown revitalization must also recognize that America's cities have taken on a new urban form that contains many centers of activity of which downtown is only one:

"Downtown, once the nucleus of the American city, is becoming just one of its nodes, a specialized zone of entertainment and a select group of enterprises whose employees find urban amenities enticing." (Lagerfeld 2000, p. 11).

This new specialization and the need for mixed-use development have made downtown development corporations instrumental in bringing about successful downtown revitalization. This is because these organizations are able to concentrate their efforts on the downtown area, work more effectively with developers, and avoid some of the restraints placed upon city governments. The end result is that these organizations are better equipped to bring about mixed-use development than city governments. The success of these corporations has often been a slow process, but as the right elements have fallen into place, people have begun to rediscover downtowns.

* Couples with children who no longer live at home.
Unfortunately, not all of these corporations have been successful, and part of the purpose of this report is to analyze different corporations and determine what organizational elements contribute to the success of a given corporation. This report looks in depth at two very different development corporations with very different rates of success. The first of these is the Centre City Development Corporation (CCDC) in San Diego, California. The success of the CCDC has come from its access to funding sources and its explicit ties with the City of San Diego, which has served to make it more accountable. This corporation has also been given almost complete control of downtown redevelopment. In sharp contrast, the Downtown Development Corporation in Tucson, Arizona was forced to rely on inadequate funding and had only implicit ties to the City of Tucson. Once conflicts occurred, these ties were broken and this corporation has since become almost completely inactive. Fortunately, Tucson's continuing efforts at downtown revitalization have been given new direction under the most recent reincarnation of the Rio Nuevo Project. With a new injection of funding Rio Nuevo appears to have a more promising future than those less successful projects of the past.
Chapter 2: Downtown Development Corporations

Downtown development corporations make up a diverse group of organizations each with its own purpose, organization, and sources of funding. Many of these organizations operate independently while others are tied to local governments or business membership organizations. The purpose of this chapter is to identify what these corporations do to bring about downtown redevelopment and use some examples for illustrative purposes. This report emphasizes those corporations that bring about physical redevelopment through capital improvement projects. However, this does not preclude organizations that may also be involved in other aspects of downtown revitalization efforts such as maintenance or security. All of these corporations are 501 (c)3 nonprofit organizations or are organized under some similar tax-exempt status such as 501(c)4 or 501(c)6.

Of this diverse group of DDC’s, one common type of corporation is often set up by a city to act as the city’s agent and to make a variety of different improvements downtown. This corporation may agree to replace outdated infrastructure, repair roadways and sidewalks, or fund other improvements in a manner compatible with the city’s overall plan for downtown. In exchange the city will then provide the DDC with operational funding. The DDC will also be empowered by the city to negotiate contracts with developers and to set up private-public partnerships where the DDC agrees to make improvements to a property in exchange for the private developer taking the property and developing it in a manner compatible with the city’s overall plan for downtown.

These private-public partnerships have become an important part of the downtown redevelopment process. These private-public partnerships are viewed as the most important elements for successful downtown redevelopment. In these partnerships, the public sector, private sector and downtown businesses all work together to make decisions and to fund downtown redevelopment. Palma writes that these partnerships are driven by the private sector, and are successful because the private sector creates a more realistic market-driven business plan (Palma 1994). The earlier plans that were both financed and driven by the public sector were less likely to
have utilized market analysis, and were often much less successful. Cities, as governmental entities, are less inclined to seek realistic market-driven solutions to downtown revitalization. This is one of the reasons private DDC's have become so invaluable. In cases where a redevelopment agency remains a part of the city, constraints due to lack of incentives to seek market-driven solutions and the need to allow more public participation, often makes these government entities less efficient (Carroll 2002; Jones 2002).

DDC's that are set up by city governments can also be used to administer special tax districts. This combination is often very successful because it provides both the city and the DDC with what can be a substantial new source of revenue. This has become important especially in states that heavily utilize tax increment financing. This funding mechanism was created in California in 1945 to help raise funds to revitalize blighted areas (Johnson 1999). Tax increment financing (TIF) works by freezing the property tax on a given area (the TIF district) at a certain base rate and then using the increment funds created by the rise in property values brought about by new development to pay for redevelopment within the designated TIF district. Funding can be done a number of ways, but TIFs remain very popular (Table 2.1).

Table 2.1 Funding Sources and Board Makeup of Selected DDC's

<table>
<thead>
<tr>
<th>Downtown Development Corporation</th>
<th>Primary Source of Funding</th>
<th>Makeup of Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swiss Bear Downtown Development Corporation</td>
<td>City and county funds, fundraising events</td>
<td>City and county officials and department heads</td>
</tr>
<tr>
<td>New Bern, North Carolina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macomb Downtown Development Corporation</td>
<td>Tax increment financing, membership dues</td>
<td>Independent from any jurisdiction</td>
</tr>
<tr>
<td>Macomb, Illinois</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fayetteville Downtown Development Corporation</td>
<td>Funds from the city and county</td>
<td>Independent from any jurisdiction</td>
</tr>
<tr>
<td>Fayetteville, North Carolina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tucson Downtown Development Corporation</td>
<td>CDBG funds*, parking fee revenues</td>
<td>Independent from any jurisdiction</td>
</tr>
<tr>
<td>Tucson, Arizona</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital City Development Corporation</td>
<td>Tax increment financing</td>
<td>Selected by the mayor and confirmed by the city council</td>
</tr>
<tr>
<td>Boise, Idaho</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centre City Development Corporation</td>
<td>Tax increment financing</td>
<td>Appointed by the city council</td>
</tr>
<tr>
<td>San Diego, California</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Email correspondence and with DDC directors and representatives. The Capital City Development Corporation and the Centre City Development Corporation.

A good example of the type of DDC discussed above is the Capital City Development Corporation in Boise, Idaho (or CCDC-not to be confused with the Centre

* The Tucson DDC broke its ties with the city and no longer receives this funding.
City Development Corporation to be discussed later). This corporation was created in 1965 to revitalize a badly deteriorated downtown. In 1985 Idaho lawmakers passed legislation allowing for tax increment financing. Since that time the CCDC has used these monies to fund both public and private redevelopment in the downtown area (Capitol City Development Corporation 2003). The CCDC has initiated numerous public projects including the construction of parking garages, street improvements, brick sidewalks and public plazas; planting street trees; the construction of public buildings; and funding public art (see Figure 2.1). TIFs have also been used in public-private partnerships that attract private developers to invest in downtown projects. In 1994 and in 2001 the CCDC was able to expanded out of its original district into two other nearby districts (Capitol City Development Corporation 2003), ostensibly because of the additional funding provided by the TIF district.

Idaho state law governing urban renewal agencies has been essential to the success of the CCDC by providing it with broad powers to bring about redevelopment in downtown Boise (see Table 2.2). This law allows urban renewal agencies to engage in a variety of activities related to downtown revitalization such as constructing streets, parking facilities, parks and other public facilities, and other capital improvements. They are also able to borrow money, issue bonds, and incur debt in order to finance urban renewal projects (Table 2.2). An important constraint written into this law requires that these agencies remain within their areas of operation. This insures that an agency remains focused on the task it was organized to accomplish and does not lose sight of its original mission. The organization of the CCDC has also been important to its success. The CCDC is a 501(c)3 non-profit corporation with a staff engaged in planning, development, administration and the operation of the corporation's parking facilities (Table 2.3). It is governed by an eight-member board of commissioners who are
Table 2.2: The Powers Granted to Urban Renewal Agencies by the State of Idaho

<table>
<thead>
<tr>
<th>Idaho Urban Renewal Agency Powers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrow money and issue bonds to finance urban renewal projects.</td>
</tr>
<tr>
<td>Undertake urban renewal projects and related activities within the agency’s area of operation.</td>
</tr>
<tr>
<td>Construct streets, utilities, parks, playgrounds, off-street parking facilities, public facilities, other buildings or public improvements.</td>
</tr>
<tr>
<td>Acquire property to hold, improve, renovate, rehabilitate, clear or prepare for redevelopment.</td>
</tr>
<tr>
<td>Invest urban renewal funds.</td>
</tr>
<tr>
<td>Construct foundations, platforms and other like structural forms and to provide utilities to development sites.</td>
</tr>
<tr>
<td>Apply incremental tax revenues allocated to the agency for the payment of the project cost.</td>
</tr>
<tr>
<td>Borrow money, incur indebtedness and issue bonds secured by incremental tax revenues to finance urban renewal projects.</td>
</tr>
</tbody>
</table>

Source: The Capital City Development Corporation.

Table 2.3: The Organizational Structure of the Capitol City Development Corporation

Source: The Capital City Development Corporation.

selected by the mayor and confirmed by the city council for five-year terms. These strong ties to the city government in conjunction with the broad powers provided by the
legislature (Table 2.2) has allowed the CCDC to be very successful and at the same time accountable to the city and the voting public. DDC’s often remain accountable in their actions because they rely on a city government for funding. However, if a city decides to no longer fund a DDC and the city has no control over the DDC’s board, then problems can occur because the DDC no longer has an incentive to follow the city’s plan for downtown redevelopment nor remaining accountable to the public. This is the problem that occurred in the case of the Tucson Downtown Development Corporation that will be addressed later.

A state’s urban redevelopment law, especially those parts pertaining to funding, can also have a big impact on a city’s downtown redevelopment efforts. The use of tax increment financing in Idaho has obviously had a big effect on the Capital City Development Corporation’s ability to fund its many capital improvement projects. However, tax increment financing is a controversial funding method that allows city governments to more easily raise funds while circumventing some of the constraints normally required of more traditional funding methods. This is partially possible because of the implicit relationship a city has with a DDC, which can serve as the administrator of the TIF district. Johnson (1999) writes:

“Since the redevelopment agencies are not legally part of the authorizing general government, TIF is a way for general governmental units to provide off-balance sheet capital asset financing. In order to generate funds quickly and in large amounts, most states bond out future TIF revenues derived from taxes levied within a tax increment district. General governments authorize redevelopment authorities to issue tax increment bonds instead of traditional general obligation (GO) bonds, in part, to circumvent constitutional and statutory debt limitations and voter approval requirements on tax supported debt, since in most states tax increment bonds are not subject to municipal debt limits or public referendum requirements.” (Johnson 1999, p. 48)
While funds from TIF are often praised as having “no cost” to taxpayer, critics argue that the development that occurred in TIF district may have occurred anyway or that it may have occurred in another area (Johnson and Man 2001). Since funds derived from property taxes are used to fund school districts, it is also argued that the use of TIF funds unfairly takes money from schools. Because of this many states, including Idaho, exempt the portion of the tax increment that would have gone to fund schools from being collected by the TIF district.

Downtown Development Corporations in Small Cities

Many small cities across America have also suffered from a decline of their downtowns similar to those occurring in large cities. However, these declines were not always caused by a movement to the suburbs, but sometimes as a result of large retail outlets that set up on the outskirts of town and offered the convenience of one stop shopping and lower prices over existing small downtown retail stores. In the early 1970s a Wal-Mart opened up on the outskirts of Idabel, Oklahoma and quickly drew customers away from downtown. Thirty years later downtown Idabel remains boarded up and empty despite the sign at the city limits beaconing people entering the city to “Visit Historic Downtown Idabel.”

Fortunately, many small towns across the country are beginning to understand the historic value of their downtowns and are setting up DDC’s to capitalize on this. DDC’s in small towns are almost always partially funded and supported by city and county governments, but also rely on grants, fund raising campaigns, and even annual festivals for funding. Some states have programs (like Main Street), which are aimed directly at getting funding for revitalization. Municipal tax districts also support some small town DDC’s.

DDC’s in small towns are using revitalization techniques similar to those used in larger cities and are learning to specialize in areas pertaining to entertainment, restaurants, specialty shops, and the novelty of historic buildings. However, because of the size of these cities, they rely even more on specialization than their larger counterparts and this often requires the adoption of a theme for the entire downtown.
district. Organization around a theme is greatly assisted by the presence of a DDC that can also help emphasize this theme through the sponsorship of an annual festival and marketing campaigns.

The Swiss Bear Development Corporation of New Bern, North Carolina is an example of one of these small town DDC’s. County officials and city leaders created Swiss Bear DDC in 1979 to plan and carry out the revitalization of the downtown and to redevelop its waterfront. New Bern had suffered the same decline as other cities beginning as early as 1900 because new transportation methods in the form of trucking and railroads had bypassed downtown, and suburbanization after World War II had created further decline. The plan to redefine downtown focused around tourism, recreation, and a housing market to attract retirees. Historic preservation was a major aspect of the redevelopment of downtown and the city was assisted through its selection to participate in North Carolina’s Main Street program in 1980 (Swiss Bear Development Corporation 2003).

Since that time more than 70 million dollars has been invested in rehabilitation and reconstruction of 65 buildings including a vastly improved Main Street (see Figure 2.2). This includes four new waterfront hotels and three marinas. Property values in the redevelopment area have increased 400% and approximately 200 businesses now employ 2,300 people. Tourism has now become a major industry in downtown New Bern and along the waterfront and brings in an estimated 69 million dollars a year (Swiss Bear Development Corporation 2003).

Factors Leading to the Success of Downtown Development Corporations

The remainder of this report will focus on two downtown development corporations and analyze what factors have lead to the success or failure of each DDC. Chapter 3 will focus on the Centre City Development Corporation in San Diego,
California, and Chapter 4 will focus on the Downtown Development Corporation in Tucson, Arizona. The purpose of these chapters is not to compare two similar cities or DDC's but rather to analyze how different cultural, political, and social climates have led to very different outcomes in terms of the success of downtown revitalization plans.

However, there are some similarities between Tucson and San Diego. Both cities are located in appealing natural settings with climates that have attracted rapid growth and created similar patterns of urban sprawl. Both are also satellites of much larger economic centers, Phoenix and Los Angeles, and each has about the same ethnic makeup, which includes a large proportion of Hispanic populations. Finally, both cities have experienced a similar decline in their respective central business districts. The main differences are related to the relative size of each city including the size of each city's downtown.

The point that must be made here is that while the relative scale of the redevelopment might be different, there is no reason why each city could not have successful downtown redevelopment. This is the focus of the next two chapters of this report beginning with the story of the Centre City Development Corporation in San Diego.
Chapter 3: The Centre City Development Corporation

Like most cities in the United States, San Diego experienced a decline in its central business district after World War II. This exodus of businesses and residents from the city center culminated in a deteriorated downtown area dedicated mostly to the servicing of sailors. This degradation had reached its worst level by the late 1960's. In January 1972, the newly elected mayor, Pete Wilson, delivered his first State of the City Address and unveiled a plan to slow development on the edge of the city in favor of growth in already developed areas. He believed this was an essential strategy if San Diego was to avoid the extremely blighted downtown areas being experienced by many American cities. With the help of San Diegans, Inc., an organization of business owners, developers, and downtown property owners, the city council finally approved of the Horton Plaza Redevelopment Project. This project had long been debated but until then had not come to fruition (Hamilton 1994). The final approval of this redevelopment plan was the first step in bringing about the process of redeveloping downtown San Diego.

The second step was the creation of the Centre City Development Corporation (CCDC). This public, non-profit organization was created by the city council in January 1975. Its purpose was to concentrate entirely on downtown redevelopment, a job previously held by the city’s planning and zoning department. These two steps taken by Pete Wilson with the help of San Diegans, Inc. would prove to be instrumental in the process of revitalizing San Diego’s central business district.

The Organization of The City Centre Development Corporation

The CCDC was created in 1975 and was organized under the California Community Redevelopment Law, which is contained in the California Health and Safety Code. This law was adopted in 1962 and provides cities and counties with broad powers to mitigate blighted conditions in urban areas. It outlines what a redevelopment agency can do and what financial tools it can use to achieve its objectives. California’s progressive redevelopment law has done much to allow DDC’s in this state to accomplish much more than their counterparts in less progressive states (Jones 2002).
San Diego Redevelopment Agency was created under the governance of the California Community Redevelopment Law and this redevelopment agency’s members are made up of the San Diego’s Mayor and City Council. The Centre City Development Corporation serves on behalf of the San Diego Redevelopment Agency to staff and implement downtown redevelopment projects and programs; and in turn, CCDC’s board of directors are appointed by the mayor and city council to three year terms (Centre City Development Corporation 2003). This makes the CCDC accountable to the Mayor, the City Council and the public.

Through this process the CCDC has been able to act as the only negotiators between the city and developers in the downtown area. In addition, the CCDC has the complete responsibility for strategic planning, urban design, developer negotiations, property acquisition, relocation of affected residences and businesses, public improvements, and public financing for all downtown redevelopment projects. The CCDC’s only source of funding is tax increment financing, which can be used to purchase properties for redevelopment when necessary (Hamilton 1994). The placement of this responsibility in the hands of one organization creates a much more streamlined process for downtown revitalization, and one that has worked well over the past 28 years and shows great promise for the future. This process began in 1976 with the adoption of the Centre City Community Plan. This plan concentrated on four distinct areas, each having its own redevelopment objective (Map 3.1 and 3.2).

The first of these areas was Horton Plaza. Horton Plaza’s purpose was to bring large-scale retailing back to the downtown area. The Columbia area to the northwest of Horton Plaza was selected as the most appropriate area in which to create a
residential presence downtown (Map 3.1). The projects in the Marina area, south of Columbia, were designed to extend the city's traditional business district westward toward the waterfront and to create a convention center (Map 3.2). Lastly, the Gaslamp

Map 3.2: Downtown San Diego Neighborhoods. Note the four-redevelopment areas: Horton Plaza, the Marina, Columbia and the Gaslamp Quarter
Quarter was meant to enhance the historical aspects of downtown and emphasize its Victorian architecture. Of these four areas, the most important as a catalyst for the revitalization was Horton Plaza.

Horton Plaza

The Horton Plaza Development Project was approved by the city council only six months after Pete Wilson was elected mayor (Figure 3.3). However, due to numerous delays involving amendments to the development agreement, design changes, and problems with public financing, it would take years for the development to come about (Hamilton 1994). Ground breaking did finally take place in 1982 and the Horton Plaza shopping mall was completed in 1985.

One of Horton Plaza’s most desirable features is only possible because of San Diego’s mild climate. Unlike other downtown malls that are often contained in several stories of one or more enclosed buildings, Horton Plaza is a four-story open-air mall. It is the unique design of Jon Jerde and contains four staggered levels of balconies and nooks complete with towers for each of the four anchor stores (Figure 3.1). This mall contains 896,000 sq. ft. of commercial space, cost $140 million, and takes up six and a half city blocks. It was built in what had been a depressed area, and although tenants were originally slow in coming, the Horton Plaza Mall was nearly 100% full by 1993 (Hazel 1993).

The opening of the Horton Plaza Mall had a tremendous affect on downtown San Diego and is widely believed to have spurred the downtown growth and redevelopment that was to come. Jerde’s unique design can be given credit for much of this success because it created an experience that was not duplicated by suburban shopping malls. Horton Plaza not only revitalized an area previously thought to be skid

Figure 3.1: Horton Plaza

Source: www.planetware.com
row, but it also helped revitalized adjacent areas like the Gaslamp Quarter (Map 3.1) (Hamilton 1994).

Many other downtown projects were also started because of Horton Plaza and in anticipation of its opening. This included two million square feet of office space that had already been completed by 1981 (Table 3.1). These developers were very relieved when Horton Plaza did open and help make their investments successful. Between 1989 and 1991, the development of another two million sq. ft. of office space would follow the opening of Horton Plaza (Hamilton 1994). Unfortunately, the Southern California real estate slump of the 1990's would end further office space construction in the downtown area for the rest of the decade (Wolfsheimer 2002).

### Table 3.1: New Construction managed by the Centre City Development Corporation between 1978 and 1983

<table>
<thead>
<tr>
<th>Building</th>
<th>Floor Area in Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Columbia Centre</td>
<td>540,000</td>
</tr>
<tr>
<td>Wells Fargo Bank</td>
<td>420,000</td>
</tr>
<tr>
<td>Bank America Plaza</td>
<td>268,000</td>
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</tbody>
</table>


The Gaslamp Quarter

Before the opening of Horton Plaza, the Gaslamp District along Fourth Avenue contained nothing but tattoo parlors, card rooms, sex shops, and bars all designed to service the sailors stationed at the San Diego Naval Station or on shore leave from naval ships docked there (Newman 2002). Fearing a return to the urban renewal of the 1960's, many property owners in the Gaslamp Quarter wanted nothing to do with redevelopment. On the other hand, the developers of Horton Plaza, which also fronted on Fourth Avenue, were afraid these owners would not rehabilitate their property and change tenants thus degrading the huge investment in Horton Plaza (Hamilton 1994).

To alleviate this problem, the CCDC created the Fourth Avenue Redevelopment Plan. Staff members from the CCDC started meeting with property owners and began
requiring these owners to come into compliance with the Gaslamp Quarter Redevelopment Plan. This plan, in effect, forced these owners to begin renting to conforming uses and to restore historical structures. The Gaslamp Quarter Redevelopment Plan was also amended to allow the CCDC to acquire property. Although some property was purchased, private owners soon saw the possibilities and by 1984 most owners had come into compliance on their own. The end result was the removal from Fourth Avenue of three go-go bars, three card rooms, a gay bath, a video/pinball arcade, two adult bookstores and various bars (Hamilton 1994).

The influx of people brought by Horton Plaza caused many national restaurant chains to also become interested in the Gaslamp Quarter and now more than 70 restaurants are located there including a variety of locally owned restaurants with ethnic menus. Although the original impetus for this revitalization was created by the CCDC, private investment has since taken over and a large amount of retail space is being rehabilitated in this area including small specialty shops and a variety of entertainment venues (Hamilton 1994).

The Convention Center

The San Diego Convention was completed in 1989 four years after the opening of Horton Plaza and has done much for the revitalization of downtown San Diego. The new San Diego Convention Center like Horton Plaza is a unique design. The original center covered 760,000 sq. ft. and featured a 90,000 sq. ft. pavilion that was opened on three sides and covered by large fabric “sails” ostensibly to match those of the sailboats in San Diego Bay. Its location on the waterfront and the accessibility it provides to downtown made it effective at attracting conventions from the beginning. In the first year, more than 250,000 out-of-town delegates attended 49 trade shows and conventions and spent 226 million dollars. During its first three years of operation the center brought $1.1 billion dollars to the local economy (Hamilton 1994).

Much of this new business was directed at nearby Horton Plaza and the Gaslamp Quarter. In fact, CIC Research of San Diego conducted a survey and found that 17 percent of the pedestrians in the Gaslamp Quarter were visitors from the convention
center. Thirty-eight new restaurants opened during the three years after the completion of the convention center (Hamilton 1994). The convention center also helped revitalize the South Embarcadero area where it is located. Seaport Village has now become an important tourist destination with specialty shops, waterfront restaurants and two of San Diego's most important five-star hotels, where many convention goers stay (Wetmore and Trimble 1999).

The San Diego Convention Center was so successful that after only three years, plans were underway for a $216 million expansion. Part of this expansion involved enclosing the 90,000 sq. ft. pavilion so that this space could be utilized year-round while maintaining the open feel by using glass for part of the enclosure. This expansion was completed in 2001 and new estimates predict it will add $1.5 billion annually to San Diego's economy (Wright 2001).

Downtown Housing

One of the most remarkable aspects of San Diego's downtown redevelopment is the very successful creation of new downtown housing. Many old buildings have been rehabilitated, and an even more significant source of new housing has come in the form of high-rise condominiums. This development of housing began in the early 1980's, but suffered setbacks due to high interest rates and was again stalled in the early 1990's due to a slow down in the economy. It is still uncertain as to whether the current economic slowdown will have an effect, but so far none is taking place. Presently there are 2,300 apartment and condominium units under construction, and 8,200 more are planned for the next three to five years (Newman 2002).

This new construction varies from small complexes with only a few units to a 39-story condominium tower containing more than 200 units. This downtown living is oriented more toward young affluent professionals and retired people and less toward families. These units tend to be smaller than those found in other parts of the metropolitan area and prices tend to be much higher. The average studio apartment is currently renting for $925, while a one bedroom unit averages $1,373, and a two-bedroom unit rents for an average of $2,236 (Newman 2002).
Much of this new construction is driven by a housing shortage in the greater San Diego area which built only one new residence for every 3.19 jobs created over the past five years (Goodkin 1999). However, the timing has given a major boost to downtown revitalization efforts. The CCDC's goal is to have 50,000 residents living in downtown San Diego by 2020. This mix of residential, commercial and office space insures a dynamic future for downtowns.

The Gaslamp Quarter has also experienced a growth in housing as old, once abandoned buildings are being converted into new housing. In many cases, this has involved the spaces above the ground floor, which are being rehabilitated and rented as work/living space lofts. This was first concentrated in areas where restaurants and shops had opened on the ground floor leaving much of the space in the upper stories empty. The Gaslamp Quarter has also become the location for many new single-room occupancy hotels (Krawl 1992).

Before this major revitalization took place, much of downtown San Diego was made up of these single-room occupancy hotels (SRO's), which housed very low-income and retired people. These rooms were often as small as 220 square feet including a very small kitchen area. They were contained in extremely dilapidated buildings and residents were often forced to use public restrooms located in the halls (Slupe 2002). Many of these buildings were eventually demolished, and their residents were forced to find housing elsewhere. The buildings that were in better condition and those deemed to have historical value were reconditioned and often became the very desirable loft apartments mentioned earlier. Some effort has been made to provide new housing for displaced residents, including the renovation of the downtown YMCA as an SRO for both long time residents and budget travelers (Newman 2002).

In another effort to attract less affluent residents to the downtown area, the CCDC has created the Downtown First-Time Homebuyer Program. This program allows homebuyers to purchase any condominium, townhouse or single-family home (new or resale) within downtown San Diego. By taking out two mortgages at the same time, these first-time homebuyers can defer payment on up to $75,000 of the cost of the home for five years (Centre City Development Corporation 2002). Although this plan
may work well for some homebuyers, people living in the SRO’s described earlier would be unable to obtain home ownership in the area.

Residential Growth and Change Brought About by the CCDC

One of the most important indicators of successful revitalization is residential growth. The CCDC has obviously been successful at bringing new residential development to downtown San Diego. However, it is unclear how much growth is actually occurring, how this growth compares to the city of San Diego as a whole, and what social changes are taking place as a result of this growth. The purpose of this section is to analyze census data and determine what changes are occurring. To complete this analysis San Diego is defined as being included within census tracts 51, 52, 53, 54, 56, and 58 (Map 3.3). Based on census tracts, the downtown area is contained by

Map 3.3: Downtown San Diego is defined by Census Tracts 51, 52, 53, 54, 55, 56, and 58

Source: U.S. Census Bureau: American Factfinder.
Interstate Highway 5 on the north and west, Laurel Street on the far north, the waterfront on the west, and Beardsley Street and Crosby Street on the south. Although this definition is slightly different from that established by the EEOC, it should be sufficient for the purpose of analyzing population in downtown San Diego. One major discrepancy is that one census tract (56) contains Balboa Park, which is well out of the downtown area. However, Balboa Park contains no residential population (with the exception of an undetermined number of homeless people) and no commercial or office space and will not affect these statistics (Slupe 2002).

An analysis of these statistics shows a significant population growth in the downtown area during the last two decades (Table 3.2). Between 1980 and 1990 the

Table 3.2: Population and Housing Statistics for Downtown San Diego Census Tracts and San Diego City

<table>
<thead>
<tr>
<th>San Diego Downtown Population and Housing Statistics</th>
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<tbody>
<tr>
<td>Census Tracts:</td>
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<tr>
<td>Population:</td>
</tr>
<tr>
<td>1980</td>
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<tr>
<td>1990</td>
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<tr>
<td>2000</td>
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<tr>
<td>Housing Units:</td>
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<td>1980</td>
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<td>1990</td>
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<td>2000</td>
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<td>Occupied Units:</td>
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<td>1980</td>
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<td>1990</td>
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<td>2000</td>
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<td>Vacant Units:</td>
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<td>1980</td>
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<td>1990</td>
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<tr>
<td>2000</td>
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<tr>
<td>Owner Occupied Units:</td>
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<tr>
<td>1980</td>
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<tr>
<td>1990</td>
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<tr>
<td>2000</td>
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<td>Renter Occupied Units:</td>
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<tr>
<td>1980</td>
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<tr>
<td>1990</td>
</tr>
<tr>
<td>2000</td>
</tr>
</tbody>
</table>

population grew by 31%, and between 1990 and 2000 it grew an additional 16% for a total of 61% for the entire 20-year period (Table 3.3). The slow-down in growth during the 1990's can be attributed to the closing of military bases during the early part of that decade, and the subsequent severe effect this had on Southern California's real estate market. (Newman 2001). Nevertheless, this growth rate was faster than the City of San Diego as a whole, which only grew at a rate of 10% between 1990 and 2000 (Table .3.2).

A closer analysis indicates that this growth was not consistent throughout the downtown area. While the Lower East Village, the City Core, and the Columbia District show consistent population gains through both decades, the Upper East Village and Cortez District show a significant gain between 1980 and 1990 and then losses in population between 1990 and 2000. Little Italy shows a small but consistent loss in population over both decades. An analysis of the number of housing units in these districts shows very little growth between 1980 and 1990 with only the Upper East Village and the Marina and Columbia Districts showing gains in the number of housing units. However, between 1990 and 2000 almost all districts gained population with only the Cortez District showing a small loss. This erratic growth in both housing and population reflects some of the processes taking place. Many SRO's were being demolished especially during the 1980's and this probably accounts for net losses even as new housing construction was taking place.

These SRO's housed less people than the new apartments and condominiums that were being built. This is reflected in the 67% growth of vacant units between 1980 and 1990. This was occurring because people were leaving buildings that were to be demolished. In some cases, the new housing being built in the area may also have caused people to leave their old homes in favor of this new housing. The high reduction
in vacancy rates during the 1990’s is due in part to the rehabilitation of these units, a process that was apparently occurring throughout the entire city.

Also shown in Table 3.2 is a new trend in ownership rates. The 1980 census shows ownership rates in the downtown area at only 3.1%. That trend began to change as people began to purchase the new condominiums that were rapidly being built. This accounts for a 256% rise in owner occupied housing between 1990 and 2000 and a 430% growth in the number of owner occupied housing units between 1980 and 2000 (Table 3.4). Still, the vast majority of people living downtown are renters. This is reflected in homeownership rates of only 12.3% in the downtown compared to the City of San Diego as a whole, which has a homeownership rate of 49%.

Overall the population of downtown San Diego has risen over the past 20 years, as has the number of new housing units. Both housing and population is growing at a faster rate than the rest of city as a whole although the downtown only contains 1.5% of San Diego’s total population and 2% of its occupied housing (Table 3.2).

According to the CCDC, the percentage of population in the downtown districts compared to the whole of San Diego will soon change, and the downtown will contain a larger percent of San Diego’s population. Over the next three to five years the CCDC expects an unprecedented amount of new residential, office, and retail construction to take place in downtown San Diego. The CCDC came into existence 28 years ago, and since that time, $2.5 billion has been invested in the downtown area. The CCDC now expects to match that $2.5 billion investment in the next three to five years (Table 3.5). The redevelopment will include 8,600 new residences, 1.1 million sq. ft. of office space and ½ million sq. ft. of retail space (Danzinger 2002).
Table 3.5: Population, Housing, Retail and Office Space in Downtown San Diego

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Space</td>
<td>17 million sq. ft.</td>
<td>27 million sq. ft.</td>
</tr>
<tr>
<td>Retail Space</td>
<td>4.5 million sq. ft.</td>
<td>4.62 million sq. ft.</td>
</tr>
<tr>
<td>Hotel Space</td>
<td>8,000</td>
<td>12,900</td>
</tr>
<tr>
<td>Housing Units</td>
<td>11,200</td>
<td>32,400</td>
</tr>
<tr>
<td>Population</td>
<td>25,400</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Source: Downtown San Diego Partnership: April, 2002.

The CCDC has been very successful at bringing about redevelopment in downtown San Diego. The key to this success is that redevelopment in San Diego has been a "process." In the beginning the CCDC designated four redevelopment areas and assigned a purpose to each area. Because of this, each project had a purpose behind it beginning with Horton Plaza, which was developed to bring retail business back to the downtown area. Much can be learned from this type of planning which stands in sharp contrast to those cities that simply create a series of projects with no clear plan in mind. These cities are risking millions of dollars in public funds on the hope that the next new "big project" will magically create revitalization.

Also key to the success of the CCDC has been its broad powers allowed through California’s Community Redevelopment Law. This has allowed the CCDC to concentrate exclusively on the downtown area and has removed this burden from San Diego’s planning staff, which is responsible for the rest of San Diego. A planning staff distracted by the planning issues of an entire city might be less able to bring about successful redevelopment than the concentrated efforts of one organization.

Finally, the CCDC’s explicit connection to the City Of San Diego’s Mayor and Council has made it accountable to both the city and the public. An organization with such power and no accountability can severely hinder the redevelopment process. In the next chapter we will turn to a vastly different type of DDC in a state with a much less progressive redevelopment law and a much different political situation.
Chapter 4: The Tucson Downtown Development Corporation

Downtown Tucson had suffered from the same decline as other central business districts, and early efforts to correct this decline left a legacy of damage and mistrust that would affect downtown redevelopment for years to come. In the late 1960's and early 1970's huge tracts of barrio housing were removed from the downtown area under the Urban Renewal Program. At this time the surrounding central business district was made up almost entire of Hispanic barrios. These were poor, but functional neighborhoods constructed of adobe in the traditional Sonoran style, with short setbacks and enclosed gardens. Under the Pueblo Center Redevelopment Project these neighborhoods were slated for removal as slums and replaced by the Tucson Convention Center, La Placita Plaza, the downtown government complex (Figure 4.1), and what is now the Ramada Inn (Barnes 1984). Remnants of these old neighborhoods still survive in Barrio Historico and Barrio Libre. These barrios have since undergone a gentrification process as higher income people have moved in and transformed the old, attractive, adobe homes into nice, newly remodeled housing. This gentrification process continues today and has included a part of Barrio Historico, which has been converted into and offices that are occupied mostly by lawyers and architects.

In 1979, less than ten years after the destruction of these old downtown neighborhoods, the city saw the need to do something about a downtown that continued to decline and decided to create the Tucson Downtown Development Corporation (TDDC). The TDDC was created by staff from the City of Tucson and was incorporated as a 501(c)3 nonprofit corporation. This new corporation had the power to purchase property, create development plans, and make capital improvements to attract
develop. Its main purpose was to bring about the development of the long planned Rio Nuevo and La Entrada projects (Donovan 1979).

However, redevelopment law is much less progressive in Arizona than it is in California, and redevelopment agencies are allowed only a limited role (Jones 2002). Because of this, the TDDC had none of the sweeping powers granted to the Centre City Development Corporation in San Diego, and planning for the downtown remained primarily in the hands of the City of Tucson. The TDDC simply acted as a redevelopment agency that contracted with the city to complete various tasks related to downtown revitalization (Carroll 2003). The funds available to the TDDC, were also less secure and less substantial than the funds available to the CCDC. Tax increment financing was illegal in the State of Arizona when the TDDC was created in 1979, and has remained that way, except in certain circumstances. Because of this, the TDDC relied entirely on federal block grants allocated to it by the City of Tucson, and whatever other revenues it could generate from such things as parking fees or rental properties.

Although the TDDC had been created by the City Council, it had no explicit ties to the City. The political situation in Tucson was such that when the TDDC was created, its board of directors felt it unwise to give the Mayor and Council the power to appoint its members for fear they would have undue influence over the corporation, use it to allocate patronage, and detract it from its primary purpose (Carroll 2003). Therefore, the only way the TDDC was connected to the City was through its reliance on the City for funding, and once this ended, so did the incentive to retain these ties. Nevertheless, the TDDC was governed by a board of directors made up of the most powerful business people in Tucson, and these individuals had good intentions and wanted to do positive things for Tucson (Carroll 2003).

Unfortunately, not everyone in Tucson believed in the good intentions of this corporation, and the TDDC encountered its first obstacles early on as it began to plan for the Rio Nuevo and La Entrada projects. At this time, the west bank of the Santa Cruz River was populated mostly by Hispanic barrios just as it is today. These residents saw the Rio Nuevo Plan as threatening to their neighborhoods in much the same way Urban Renewal had threatened the downtown barrios less than a decade earlier. In addition, it was believed that this new housing would create a gentrification process similar to the
one occurring in Barrio Historico. These perceptions caused the Westside Neighborhood Association to organize in opposition to these new developments (Burchell 1980).

Also in contention was the use of federally provided Community Development Block Grants to fund downtown redevelopment. This opposition not only came from the Westside Neighborhood Association but other organizations as well including the Community Development/Design Center and the Southern Arizona Legal Defense Fund. These groups believed that CDBG funds should be used in poor neighborhood, and not for downtown redevelopment. Various lawsuits were filed against the City, the TDDC, and even Phil Whitmore who it was claimed had a conflict of interest because he lived close to the proposed La Entrada development (Maddux and Burchell 1980).

To counter this opposition the TDDC apparently created its own organization of Westside people that supported Rio Nuevo and urged the City Council to move forward with the Rio Nuevo Project (Burchell 1982). Eventually this controversy led Phil Whitmore, the director of the TDDC, to resign in 1980 less than two years after the corporation was created. Whitmore stated that the contentious relationship with some residents of the Westside was the cause of his resignation, and that he believed opposition to the projects was mostly caused by “misinformation” (Burchell 1980). In 1981, the U.S. Department of Housing and Urban Development ruled that the city had done nothing wrong in allocating block grant funding to downtown redevelopment projects (Burchell 1981).

After Whitmore’s resignation Bill Mosher took over as the director of the TDDC and would remain in this position throughout the remainder of the 1980’s. This would be the most productive decade for the TDDC, including the development of the La Entrada Apartments (Figure 4.2), TDDC’s effort to

Figure 4.2: The La Entrada Apartments Brought Upscale Housing to Downtown Tucson

Source: Bob Short 2003.
begin restoring the downtown population that had been partially removed during Urban Renewal. However, in the 1980's the focus was to bring upscale housing to downtown including 150 units at La Entrada and several new condominiums.

The TDDC was also involved in the Rio Nuevo developments on the west side of Interstate Highway 10. These activities concentrated mostly on Rio Nuevo North, on the north side of Congress, partially because the development at Rio Nuevo South was delayed by environmental problems due to the unexpected discovery of an old landfill there (Burchell and Cook 1993). The Rio Nuevo North development began with the channelization of the Santa Cruz River and the subsequent development of the Santa Cruz River Park in 1984. Much of what the TDDC did during this time was related to the mitigation of existing environmental problems such as the clean up of garbage and old cars that had been dumped into the Santa Cruz River (Carroll 2003). The TDDC was also involved in two housing developments including the Parade of Homes and Pueblo West developments, included a total of about 400 medium-priced homes (Burke 2003). A 45-acre commerce park was also developed including commercial and retail space, and two restaurants. In addition, a large number of apartments were constructed along St. Mary's Road (Heltsley 1981). Lastly, the TDDC remodeled the building and parking garage on the corner of Stone and Granada creating what is now the Developmental Services Building (Kennedy 2003).

Two other important developments occurred in the downtown during the 1980's, which were unrelated to the efforts of TDDC. The first of these was the Unisource Tower, which added 250,000 square feet of office space to the downtown area. Two towers were originally planned for this project but the second one was never completed because of the lack of demand for office space (Barnes 1984). Also unrelated to the TDDC was the new library that was built in late 1985 on Stone Avenue. This library has now become a major activity center in the downtown area.

Unfortunately, toward the end of the 1980's things began to change for the TDDC. Joe Valdez, the city manager, sought more control over downtown development and disagreements occurred with the TDDC over what kind of development should occur. One disagreement was over how the site across Alameda Street from City Hall should be developed. The TDDC had developed La Entrada and other condominiums
in this area and believed the best use of this lot was for the development of more upscale housing. However, Joel Valdez wanted to create a building for the Tucson Water Department on this site. The end result was the City’s creation of a new development corporation called the Tucson Local Development Corporation (TLDC). This allowed Valdez to circumvent a constitutional requirement that voters approve of bond issues, and he was thus able to use this property for the new Tucson Water building. After this point in time the City’s focus moved away from downtown housing which never occurs on any significant scale to the expansion of the Tucson Convention Center and other big development projects (Carroll 2003).

Related to this shift in focus was a shift in funding away from the TDDC and to the TLDC. Soon after this Bill Mosher resigned as director and accepted a job offer from the Downtown Denver Partnership. During his decade long tenure at the TDDC, over 1000 housing units and several other development projects were completed. After Mosher’s resignation, Cathy Mckoskey took over as director of the TDDC, and while she was able to make some progress, the lack of support from the City eventually led the TDDC to its present inactive state. Under her tenure the TDDC restored the Old Coronado Hotel (Volante 2000), and attempted to restore the old YMCA Building on Fifth Street. However, cost estimates ran higher than expected and despite donations and grants including funds from the City of Tucson, the TDDC was unable to complete this project and eventually sold the building to another developer in 1997 (Burchell 1997).

In 1993 the TDDC was unable to come up with the funds for a payment on the Rio Nuevo site, and the City of Tucson was forced to make this payment and take possession of the property. This prevented the TDDC from declaring bankruptcy and defaulting on a $700,000 loan it owed the City (Burchell and Cook 1993). There were several reasons for the TDDC’s financial difficulties at this time. First, there were unanticipated problems and expenses with developing the south part of the Rio Nuevo site due to the unexpected discovery of an old landfill there and other environmental problems. Second, much of the support the city had originally provided the TDDC was no longer forthcoming as the city moved in a different direction in terms of downtown redevelopment. The City had originally provide the TDDC with 8.2 million dollars in
CDBG funds in 1980 and other funding as well, but by 1993 these funds had been exhausted. Finally, the economic the recession of the early 1990's had caused difficulties throughout the real estate market and had affected the TDDC as well (Burchell and Cook 1993; Carroll 2003).

In 1994, Cathy McCoskey resigned as director of the TDDC citing a desire to return to college and complete a degree in business administration (Burchell 1994). Doug Kennedy took over as the director of the TDDC, and since that time, the TDDC has been mostly inactive. The TDDC currently owns only two properties: partial ownership of Lot 175 (the parking lot across from El Charro Restaurant) and the Old Coronado Hotel, which is currently being used for Section 8 housing (Kennedy 2003). The TDDC's mission continues to be developing housing in downtown Tucson just as it was in 1979 when it was created (Kennedy 203). However, the TDDC has not developed any new housing in the downtown area for several years. The TDDC's relationship with the City of Tucson also remains tenuous, and when recent negotiations over the City's acquisition of Lot 175 broke down, a spokesman from the city suggested that it might be necessary to use the City's power of eminent domain (Steller and Burchell 2003). At this point, the City has moved in a new direction with the anticipated new funding from the Rio Nuevo Multipurpose Facilities District, and it is unclear what the future of the TDDC will be, including if it will have any future part in downtown development.

Analysis of Downtown Tucson 1980-2000

Despite the TDDC's current inactivity, this corporation was actively involved in developing housing in Tucson for almost 20 years. The success in this development of housing can be seen in the following analysis of downtown population growth. This is especially evident in the contrast between housing growth in the 1980's while the TDDC was most active, and the 1990's when it became much less active.

Downtown Tucson is much smaller and more difficult to define than downtown San Diego because there are fewer natural and manmade boundaries. This has required the use of census information down to the block group level, and even at this level of detail, this definition of downtown is broader than might be optimal. However, the
TDDC was active in areas that are arguably not part of downtown, and this broad definition will serve as a good measure of what growth occurred in those areas as well.

In this definition downtown Tucson is roughly enclosed by Grande Avenue on the west; St. Mary's Road, Sixth Street, and Toole Avenue on the north; Third Avenue and 18th Street on the East; and Interstate 10 and Congress Street completing the boundary on the west and south (Map 4.1). While the Rio Nuevo South site has the potential of being very important to the future of downtown, very little development currently exist there and it is excluded from this definition. Another nearby area not included in the definition is the Fourth Avenue Shopping District. Fourth Avenue is much closer to downtown than some neighborhoods that are included in the definition.

Map 4.1: Downtown Tucson is Defined by Census Block Groups in Tracts 1, 2, 3, 9, and 10

![Map of Downtown Tucson](image)

Source: U.S. Census Bureau, American Factfinder.

However, it is separated from the downtown by railroad tracks and a tunnel, and this has caused Fourth Avenue to evolve as a separate, much more successful shopping district than any revitalization attempts.
Barrio Historico, Barrio Libre, Amory Park, and the Westside neighborhoods east of Grande Avenue are included in this definition. While this Westside neighborhoods is separated from downtown by Interstate 10 its inclusion is partially necessary because Census Track 2, Block Group 1 where it is located, also contains Snob Hill, an important downtown neighborhood. In addition, when Rio Nuevo North is developed, this Westside neighborhood will become closer and more significant to the downtown. Therefore, this definition will include all of Census Tract 1 (the downtown core), Block Group 1 of Census Tract 2, Block Group 3 of Census Tract 3, Block Groups 1 and 5 of Census Tract 9, and Block Group 1 of Census Tract 10 (Table 4.1 and Map 4.1).

Table 4.1: Financial and Housing Statistics for Downtown Tucson Block Groups

<table>
<thead>
<tr>
<th>Block Groups</th>
<th>Year</th>
<th>1-All Block Groups</th>
<th>2-Block Group 1</th>
<th>3-Block Group 3</th>
<th>9-Block Groups 1 and 5</th>
<th>10-Block Group 1</th>
<th>Totals and Averages:</th>
<th>Growth Rates:</th>
<th>City of Tucson:</th>
<th>Growth Rates:</th>
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</thead>
<tbody>
<tr>
<td>Population:</td>
<td>1980</td>
<td>758</td>
<td>561</td>
<td>301</td>
<td>602</td>
<td>340</td>
<td>2562</td>
<td>39%</td>
<td>405930</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>545</td>
<td>1894</td>
<td>144</td>
<td>1202</td>
<td>412</td>
<td>4197</td>
<td></td>
<td>486591</td>
<td></td>
</tr>
<tr>
<td>Housing Units:</td>
<td>1980</td>
<td>692</td>
<td>237</td>
<td>145</td>
<td>340</td>
<td>142</td>
<td>1556</td>
<td>73%</td>
<td>136122</td>
<td>26%</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>492</td>
<td>1128</td>
<td>115</td>
<td>727</td>
<td>227</td>
<td>2689</td>
<td>-3%</td>
<td>183338</td>
<td>14%</td>
</tr>
<tr>
<td>Occupied Housing Units:</td>
<td>1980</td>
<td>580</td>
<td>218</td>
<td>127</td>
<td>295</td>
<td>124</td>
<td>1344</td>
<td></td>
<td>209792</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>484</td>
<td>1070</td>
<td>149</td>
<td>701</td>
<td>217</td>
<td>2621</td>
<td></td>
<td>125266</td>
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<tr>
<td>Vacant Housing Units:</td>
<td>1980</td>
<td>343</td>
<td>972</td>
<td>120</td>
<td>658</td>
<td>180</td>
<td>2363</td>
<td>3%</td>
<td>192946</td>
<td>19%</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>7</td>
<td>21</td>
<td>18</td>
<td>45</td>
<td>18</td>
<td>212</td>
<td></td>
<td>10856</td>
<td></td>
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<tr>
<td>Owner Occupied Housing:</td>
<td>1980</td>
<td>112</td>
<td>19</td>
<td>18</td>
<td>45</td>
<td>18</td>
<td>212</td>
<td>87%</td>
<td>20653</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>31</td>
<td>98</td>
<td>29</td>
<td>43</td>
<td>37</td>
<td>258</td>
<td>-35%</td>
<td>16846</td>
<td>-18%</td>
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<tr>
<td>Median Home Value:</td>
<td>1980</td>
<td>54</td>
<td>170</td>
<td>27</td>
<td>107</td>
<td>38</td>
<td>396</td>
<td>88%</td>
<td>20653</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>1990</td>
<td>54</td>
<td>170</td>
<td>27</td>
<td>107</td>
<td>38</td>
<td>396</td>
<td>88%</td>
<td>20653</td>
<td>90%</td>
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<td>2000</td>
<td>54</td>
<td>170</td>
<td>27</td>
<td>107</td>
<td>38</td>
<td>396</td>
<td>88%</td>
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<td>90%</td>
</tr>
<tr>
<td>Median Rent:</td>
<td>1980</td>
<td>112</td>
<td>19</td>
<td>18</td>
<td>45</td>
<td>18</td>
<td>212</td>
<td></td>
<td>10856</td>
<td></td>
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<td></td>
<td>1990</td>
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<td>170</td>
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<td></td>
<td>2000</td>
<td>54</td>
<td>170</td>
<td>27</td>
<td>107</td>
<td>38</td>
<td>396</td>
<td></td>
<td>20653</td>
<td></td>
</tr>
<tr>
<td>Median Family Income:</td>
<td>1980</td>
<td>112</td>
<td>19</td>
<td>18</td>
<td>45</td>
<td>18</td>
<td>212</td>
<td>2%</td>
<td>9237</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1990</td>
<td>54</td>
<td>170</td>
<td>27</td>
<td>107</td>
<td>38</td>
<td>396</td>
<td></td>
<td>20653</td>
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<td>2000</td>
<td>54</td>
<td>170</td>
<td>27</td>
<td>107</td>
<td>38</td>
<td>396</td>
<td></td>
<td>20653</td>
<td></td>
</tr>
</tbody>
</table>


A comparison of growth in downtown Tucson reveals that Tucson, on average, has grown faster than the downtown in almost every category (Table 4.1). Housing in
the downtown area has also consistently grown during this period of time, and most of this has occurred in the Westside neighborhoods (Census Tract 2, Block Group 1). This can be attributed to the large number of apartment buildings on St. Mary’s, and the La Entrada Apartments and other developments in Snob Hill that were developed by the TDDC. The historic neighborhoods east of downtown (Census Tract 9, Block Groups 1 and 5; and Census Tract 10 Block Group 1) are another important area of growth and this can be attributed to the popularity of these Barrios, and to some new, attractively designed, barrio style housing that was developed in the area east of Barrio Historico and Barrio Libre.

These new developments and the gentrification process that continues in Barrio Historico (Census Tract 9, Block Groups 1 and 5) can also be seen in the dramatic rise in home values in this area during both decades. This gentrification occurred in the 1980’s when the value of the homes here went up 88%. This rise in home values would have been even higher if it were not for the more modest rise in the value of homes in the heart of downtown (Census Tract 1) and in the Westside neighborhoods (Census Tract 2, Block Group 1). Home values have also gone up in the Snob Hill area (Census Tract 3, Block Group 3 and part of Census Tract 2, Block Group 1) where revitalization has occurred due to the efforts of the TDDC. However, this rise in home values actually affects a relatively small group of people because only 21% of the housing in the downtown area is owner occupied. The number of owners is; however, growing faster than the number if renters whose numbers rose dramatically in the 1980’s, but declined in the 1990’s. This dramatic rise in rental housing during the 1980’s can again be attributed to the housing developed by the TDDC on St. Mary’s Road and at La Entrada.

Finally, census data shows a very high rise in the percent of vacant housing during the 1980’s. While this growth occurred mostly in the Westside neighborhoods, and in the barrios on the east side of the downtown area, it also occurred throughout the entire city. There is no obvious explanation for this growth in vacancies, but it may simply reflex the large amount of new construction taking place at the time, and the abandonment and eventual demolition of deteriorated housing stock.

To the credit of the TDDC, the most dramatic growth in housing during this period can be attributed to the actions of this corporation, and the production of new
housing has slowed appreciably since TDDC became inactive. This could soon change now that new funding has become available for the most recent Rio Nuevo Project.

The Rio Nuevo Multipurpose Facilities District

A new funding source for Rio Nuevo and downtown has breathed new life into downtown revitalization efforts in Tucson. This source of funding came about inadvertently due to the desire of the Arizona legislature to provided Tempe and Mesa with a way to finance a new stadium for the Arizona Cardinals, and thus keep this professional sports franchise in the state. To do this, the legislature passed a law allowing the creation TIF districts, not anticipating that other cities might also take advantage of this opportunity. It was not in the best interest of the state for other cities to create these TIF districts, because the funds gained by these cities would be lost to the State of Arizona’s general fund. TIF’s based on property taxes are illegal in Arizona. The existing TIFs in Arizona have to be based on sales taxes, which normally go directly into the state’s general fund. Since the state could not designate a TIF district for only one city and arbitrarily exclude other cities from creating TIFs, Tucson took the opportunity of using a TIF to revitalize downtown (Poster 2002).

James Keene, the Tucson City Manager, saw the possibilities and gave Tucson voters the opportunity to create a TIF district for the purpose of revitalizing downtown. In November 2000, Tucson voters passed Proposition 400 and approved the creation of Rio Nuevo Multipurpose Facilities District. This district not only included the downtown area and the Rio Nuevo site, but was also extended east on Broadway Boulevard and encompasses all the businesses along the Broadway Corridor including El Con Mall and Park Mall. Fortunately for the City, the base year for the TIF came at a time when both malls were undergoing remodeling and business was very slow. When Park Mall reopened as Park Place a little more than a year later, it had undergone a major expansion more than doubling its original size. While El Con Mall has been less successful, it is also being remodeled, and a Home Depot that opened adjacent to the core building is generating additional funds for the TIF district (Poster 2002). The increase in revenue is important in tax increment financing. A base year is determined
initially, and during each subsequent year, the TIF district is able to collect the increment, or extra amount of taxes generated by redevelopment occurring after the base year. Because of this, low tax revenues during the base year can translate into a great deal of funding during the years in which the TIF is in effect.

The Rio Nuevo Project

Unfortunately the history of downtown redevelopment in Tucson has not been encouraging, and despite the creation of the Rio Nuevo Multipurpose Facilities District, critics remain skeptical about the potential for the success of the latest reincarnation of Rio Nuevo. Much of the skepticism comes from the fact that the area where development is to occur is on the west side of Interstate Highway 10, and this highway creates a barrier between the downtown area and much of the new development. Ways of ameliorating this situation have been discussed including rebuilding Interstate Highway 10 below ground level (Rio Nuevo Master Plan 2003). Unfortunately, this would be very expensive and would require the use of the City of Tucson’s entire transportation budget for several years. The proximity of the Santa Cruz River to the Interstate Highway 10 would also create special drainage problems and add greatly to the cost of construction (Becker 2002).

Jones (2002) suggested that the presence of Congress Street, which runs between these areas, is sufficient to bring the two together, and that a planned trolley route will further enhance this connection. He also pointed out that cultural areas, like those planned for Rio Nuevo on the west side of Interstate Highway 10, create “dead zones” when they are closed, and that these areas should be separated from the restaurants and entertainment areas more often used at night. Kennedy (2003) disagrees and believes reinvestment should be dedicated to the existing downtown area, not to Rio Nuevo.

Another criticism is that many redevelopment plans have been made over the years, but few have been carried out. This indecisive atmosphere has made it difficult for developers to invest in the downtown area because they are unsure what road and infrastructure improvements will actually take place (Kennedy 2003). Another contention with much of the general public is that the redevelopment of downtown
Tucson has been a subject of discussion for the past 40 years with few tangible results. The following quote illustrates this well:

“Rio Nuevo is Tucson’s answer to San Antonio’s colorful shops and restaurants along the San Antonio River. The Old Pueblo version will meander along the west bank of the Santa Cruz River and include about 1100 homes, apartments and shops. There are even plans in the works to put water back into the Santa Cruz—if only for the portion that runs from Mission Lane north to Congress Street.” (Benton 1979)

Any current resident of Tucson that has followed the plans for downtown redevelopment would recognize the above statement as part of the Rio Nuevo Plan currently being considered. Unfortunately, this was written almost 25 years ago and no development has yet occurred at the North Rio Nuevo site. This lack of progress has caused much of the public to be skeptical whenever they hear about redevelopment plans for downtown Tucson.

However, the current Rio Nuevo Project has a major advantage over earlier plans mostly due to the fact that the Rio Nuevo Multipurpose Facilities District is expected to generate 756 million dollars in revenues over the next twenty years (The Rio Nuevo Master Plan 2003). If used properly, this large sum of money is sufficient to bring unprecedented change to downtown Tucson. The current plan for redevelopment also has many positive aspects including many cultural and entertainment venues, plans for a retail and restaurant district, and a trolley that will be extended through the downtown area from its current route that serves Fourth Avenue and the University of Arizona (see Appendix).

The Rio Nuevo project managers have also shown flexibility by removing the unpopular plan to build an aquarium. This controversial idea faced much opposition from citizens that believed the Sonoran Desert was not an appropriate location for an aquarium. Critics also pointed out that aquariums have not been successful in many parts of the country (Relly and Karamargin 2002). Because of this, it is a positive result that such a risky and expensive project was removed from the Rio Nuevo Plan saving
millions of dollars for other uses. What will replace the aquarium at the Civic Plaza north of the Tucson Convention Center is yet to be determined, but plans are still underway for an I-MAX theater, a branch of the Sonoran Desert Museum, a science center and a children’s museum. The I-MAX theater has the potential to become a major destination for downtown visitors because it is the only one in Southern Arizona. Directly across Interstate Highway 10, and only a short trolley ride away, is the Rio Nuevo site. This site will contain retail shops, museums, an international Mercado, and a residential area. Also included in this area are natural amenities such as gardens, a river walk, and ponds fed by water that has been put back in the Santa Cruz River (Rio Nuevo Master Plan 2003).

The most important part of the Rio Nuevo Project, and the most difficult, is the plan to create a retail, restaurant, and entertainment district in the heart of downtown north of the government complex along Congress Street and Pennington Street. This includes the restoration of the Fox Theater (Figure 4.3) and the redevelopment of the Thrifty Block, the block north and east of the Congress Street and Stone Avenue intersection (Thorensen 2003). Both of these projects would do much toward improving this most blighted part of downtown Tucson. The revitalization of the rest of this area will hinge upon the success of these early redevelopments as potential developers determine if investing in the downtown is in their best interest. The restoration of the Railroad Depot and the creation of Depot Plaza, a retail and residential mixed-use area (Rio Nuevo Master Plan 2003), is also a step in the right direction and has the potential of a positive impact on the entire north side of downtown and further enhance the area around the Congress Hotel.

Improvements to the downtown transportation system will also be very important to the success of downtown. These improvements begin with the creation of
a new Fourth Avenue tunnel and the conversion of the existing tunnel to pedestrian and bicycle uses (Cañizo 2002). This will further contribute to the augmentation of the north side of downtown and help “pull” the success of the Fourth Avenue Retail district into the downtown area, eliminating the difficulty of traversing this awkward intersection that has for years been detrimental to the connection between downtown and Fourth Avenue.

Plans to extend the trolley into the downtown area, down Toole Avenue, and past the Congress Hotel, the Railroad Depot, and Depot Plaza will also add to the appeal of the area, as will the plan to extend it down Pennington Street through an area that has previously received little attention from the public. This new access will make this area much more appealing to potential developers, and at the same time, reserve Congress Street for automobile use unimpeded by the presence of the trolley. The placement of the trolley route through the entire downtown area, often separate from automobile traffic, is one of the most attractive aspects of the Rio Nuevo Project. This creates easier access to the downtown area and provides an urban atmosphere that has not existed in Tucson for several decades.

The Rio Nuevo Plan has much potential for transforming downtown Tucson. However, much of this will depend on how the private sector responds to the Rio Nuevo Plan and how decisive the City remains in terms of staying with a predetermined plan for road and other infrastructure improvements. The utilization of a downtown development corporation could do much to assist in the implementation of this plan and officials at the city have expressed the need for such a corporation (Jones 2002). Some existing corporations have been considered as potential candidates for this role including Tucson’s Business Finance Development Corporation, formerly the Tucson Local Development Corporation (Poster 2003), but it is unclear if this corporation is sufficiently organized to take on such a role (Carroll 2003). Failure in the past to commit resources to such a corporation does not bode well for the future; however, the need does exist and could make redevelopment in downtown Tucson much more successful.

The citizens of Tucson obviously support downtown redevelopment as demonstrated by their overwhelming support for Proposition 400 in 1999. Downtown
Tucson already has many positive features including La Placita Plaza, historic neighborhoods, the Tucson-Pima Library, and the Tucson Art Museum. The addition of those amenities proposed by the Rio Nuevo Plan could add a whole new aspect to downtown Tucson, and in the process, greatly improve the entire Tucson Metropolitan Area.
Chapter 5: Conclusion

The comparison between Tucson and San Diego clearly shows that downtown development corporations with sweeping powers to control many aspects of the development process are able to be more successful than those corporations with more limited control. However, this lack of control is not the only reason for the perceived failure of the Tucson Downtown Development Corporation. The political atmosphere in Tucson was not conducive to a relationship between the City and the TDDC that would create a stable relationship where both parties are accountable and, therefore, dedicated to a consistent redevelopment process. This lack of consistency also sends a message to the development community, which hesitates to invest the private funds so essential to bringing about redevelopment.

Past mistakes made under Urban Renewal also served to provide the TDDC with a difficult beginning although it did seem to overcome these difficulties. It remains to be seen whether the new Rio Nuevo Project will be successful, but the influx of funding brought about by TIF certainly gives Rio Nuevo a better chance to succeed. The ability to use tax increment financing was obviously important to the success of the Centre City Development Corporation in San Diego and could positively affect Tucson and the new Rio Nuevo Project as well. However, TIF remains controversial and arguably takes funds from other sources including schools. This is because it is not clear if redevelopment would have occurred anyway providing these schools with funding that is lost once the TIF district is created. This has caused some states to exempt schools from loses due to TIF, so that school funding remains the same even when property values go up in TIF districts. This is one of the reasons why states like Arizona have not passed laws allowing property tax TIFs.

States that do allow TIF financing do so primarily because it can generate an enormous amount of funds. For example, in California TIFs collected $147.9 billion dollars in 1996. In fact, the use of TIF's in some states has become so successful that the value of the TIF increment now exceeds the total base value and on average captures most of the property tax revenues for a given TIF district (Johnson 1999). These are
funds badly needed by many states, which have suffered from unprecedented fiscal shortfalls that have forced them to cut funding in many areas including schools.

The passage of Proposition 13 in 1979 also had a serious impact on the ability of jurisdictions in California to collect adequate revenues. Proposition 13 has so much denuded local revenues that local jurisdictions are left scrambling to find funding sources, especially for "nonessential" activities like redevelopment. TIF is so popular primarily because it ostensibly pays for itself by stimulating development in an area where development might not otherwise have occurred. This makes TIF more politically acceptable than other taxes because local citizens do not bear the cost directly.

It is sometimes uncertain that development would not have occurred in some areas even without TIF. In most states an area must be considered "blighted" to be eligible for TIF, but definitions of "blight" are often liberally applied and even upscale retail areas have been declared blighted simply because a certain percentage of shops were not occupied (Gose 2001). This liberal definition of "blight" not only affects those residing in TIF districts, but can also affect other sources of funding, as well such as Community Development Block Grants. This can harm those least able to bear it including low-income people who rely on this funding to improve deteriorating neighborhoods.

Another group of people that suffers from downtown redevelopment are those displaced by the revitalization of downtown housing. These people originally took up residents in downtowns because they were "blighted" and provided low-cost housing. Unfortunately, in order to attract development, it is necessary for development corporations and cities to create upscale housing, which provides the customer base to attract retail shops, restaurants, and entertainment venues. As downtowns begin to redevelop, low-income housing is often either eliminated or gentrified so that low-income residents are forced to move. The presence of the Martin Luther King Apartments in Downtown Tucson is one example of this problem. Kennedy (2003) believes that the elimination of these apartments is essential if the downtown hopes to attract upscale housing. However, it is unclear where these people will live once this apartment complex is removed. This same problem has occurred in San Diego with the elimination and restoration of many single-room occupancy hotels (SRO's). Although
many people living in these SRO’s were forced to move, it is unclear if they successfully found affordable housing in other areas. Efforts in San Diego to provide low-income housing may help some of these people, but most are unable to afford this housing and are forced to move. These problems associated with displaced people are difficult to solve and faced by development corporations and cities throughout the country. Some possible solutions include making affordable housing part of the mix, or creating affordable housing opportunities in other areas adjacent to downtown. A new funding source in the form of the Department of Housing and Urban Development’s Hope VI program offers additional solutions to this problem. Under this program public housing, such as the Martin Luther King Apartments, can make downtowns eligible for Hope VI funding. This funding can be quite substantial and serve as a catalyst for the development of downtown housing (Poster 2003).

Finally, some individuals believe that downtown development should not be funded at all and make the argument that the free market will determine if downtowns survive. However, these arguments do not take into account the subsidization of the process that has driven businesses out of downtown and into the suburbs. This includes everything from federal allowances for the deduction of mortgage interest to the vast amounts of money spent on the construction of highways and other infrastructure not directly paid by new suburban development. This subsidization of suburbia must, therefore, be countered through funding methods that support downtown redevelopment. This also provides a justification for TIF as a way of subsidizing downtown redevelopment.

One of the most important drivers of the downtown renaissance has been the effort of voters to approve funding for downtown revitalization projects. These citizens are recognizing the value of the urban amenities that have not been available in some cities for decades. While the role of downtown may have changed to merely one of many nodes throughout a metropolitan area, it is still an important node, and often the most important part of the city. The efforts of downtown development corporations are crucial to the recovery and maintenance of this essential heart of the city.

Several policy recommendations can be derived from the research for this report. First, DDC’s should be utilized because they are important instruments for downtown
redevelopment that can more easily concentrate efforts toward downtown in contrast to city governments that are often distracted by issues in other areas. These corporations also bring a business perspective to redevelopment, something not always possible in the public sector.

Second, DDC's need control over many aspects of downtown redevelopment including some independence from the local jurisdiction while retaining ties to these jurisdictions so that a level of accountability is maintained. These explicit ties also give cities the incentive to remain committed to downtown redevelopment.

Third, a concise long-term plan for redevelopment must be created and maintained. If a variety of plans are created, but few are carried out, the private sector will become wary of investing in downtown. The most important element of this plan is a catalyst designed to generate activity and create other types of development. Among these other types of redevelopment, residential is most important because it brings more street level activity to the downtown, attracts additional retail shops and restaurants, and draws people from other parts of the metropolitan area.

Finally, public funding is necessary to finance infrastructure and other improvements in order to attract private funding for downtown redevelopment. Despite the many criticisms, thus far, TIF has been the most successful "creative" funding method for downtown redevelopment. The utilization of TIF also helps makeup for the loss of business caused by massive funding for infrastructure to support the automobile, the original cause of downtown decline.
Appendix:
Rio Nuevo Maps
Map 1: The Rio Nuevo Plan for Civic Plaza

Source: City of Tucson, Rio Nuevo Project
Map 2: Rio Nuevo Plan for Westside Cultural Park

Source: City of Tucson, Rio Nuevo Project
Map 3: Rio Nuevo Plan for Congress Street Redevelopment

Source: City of Tucson, Rio Nuevo Project
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