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Hyatt Regency-Alamo Plaza/Paseo Del Rio Linkage Project: an adventure in public entrepreneurship

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THE HYATT REGENCY-ALAMO PLAZA/PASEO DEL RIO LINKAGE PROJECT;
AN ADVENTURE IN PUBLIC ENTREPRENEURSHIP

By

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RESEARCH PROJECT

Presented to the Faculty of the Department of Urban Studies
Trinity University in Partial Fulfillment
of the Requirements

For the Degree of
Master of Arts in Urban Studies

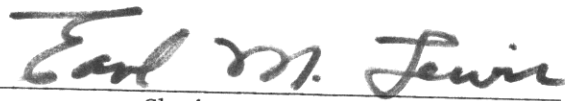
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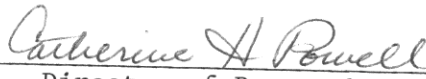
AN ADVENTURE IN PUBLIC ENTREPRENEURSHIP

ADOLPH L. STICKELBAULT

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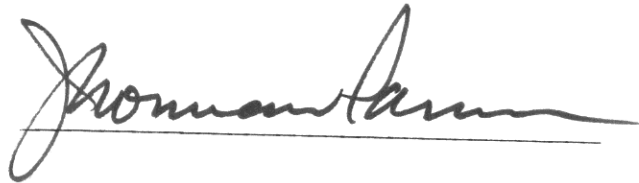


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August, 1980

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PREFACE

In 1980, the general status of central city redevelopment in San Antonio gives an air of optimism for the revitalization of a historically significant and unique city. One major reason for this optimism is that San Antonio central city has less decay than most major U.S. metropolitan areas and has more assets on which to build than many cities in the United States. Some of the assets are: (1) a superior convention and tourist business; (2) the successful Paseo del Rio; (3) the Alamo, one of America's top three historic battle sites; (4) the new, thriving, Market Square/El Mercado; (5) a significant private investment in terms of new major commercial buildings constructed over the past fifteen years with a wide range of tenants including financial institutions and professional services (law, advertising, medical, accounting, etc.); (6) a better than average downtown traffic circulation pattern; (7) an expanded, beautified and in-the process-of-being-renovated La Villita area; (8) a greatly improved totally leased, HemisFair Plaza which is fast becoming a major center for education, government, culture and recreation catering to San Antonio citizens as well

as the convention and tourist trade; with major development for the Plaza about to be initiated; (9) a strong retail community anchored by Joske's on the east and Sears on the northwest, including between these two anchors such major retailers as Frost Bros., Penneys, Frank Bros., Margo's Vogue, Carl's, San Antonio Music, and Zales.

To aid revitalization of the downtown area, the San Antonio Centro 21 Task Force was established in July 1975. Centro 21 has specifically adopted the policy of not duplicating other efforts but has taken the role of a catalyst to get projects started, and ombudsman to remove obstacles and keep projects moving toward completion.

City government has recently emerged as a vital partner in cooperative efforts with the private sector. City Hall has not only helped cut red tape for businesses by establishing a "one-stop business center" to help corporations through the maze of regulations and permits that are now part of doing business, but has actually been the prime mover of a number of major downtown rehabilitation and new construction projects.

In general terms it can be said that there is a new optimism concerning downtown revitalization within both the public and private sectors. The revitalization has been picking up noticeable speed from month to month as

certain specific projects such as hotels, apartment buildings, and the Paseo del Rio Linkage show significant progress; and the spirit of optimism continues to grow.

CHAPTER I

INTRODUCTION: GENERAL OVERVIEW OF SAN ANTONIO'S TOURIST/CONVENTION BUSINESS

When groundbreaking ceremonies were held on May 30, 1979, the Hyatt Regency San Antonio Hotel and Alamo Plaza/Paseo del Rio Linkage Project became a reality. To many, this project is a strong example of the public, private and minority sectors of the community working toward a common goal. Downtown business leaders and developers heartily applauded the proposed public/private joint venture. Among the terms used to describe this long awaited development were "it is a sexy project"; and Hyatt representatives called it the "crown jewel" of its hotels. The linkage project is the capstone of approximately sixteen years of planning for the revitalization of an area that local military officials once declared "off-limits". The purpose of this research project is to review the background of urban redevelopment and revitalization efforts in downtown San Antonio with the primary focus being the Alamo Plaza/Paseo del Rio Linkage Project; and finally to recommend strategies for maximizing future central city development.

An Urban Development Action Grant (UDAG) served as the catalyst for revitalization and redevelopment in the area around San Antonio's historic downtown commercial core. The UDAG program will be elaborated on in detail in another section of this project. This linkage project is significant in light of the fact the architectural design calls for linking two of Texas' five major tourist attractions (the Alamo and the world famous Paseo del Rio). Tourism and convention related activity has grown to become a leading sector in the San Antonio economy and a critical component to the economy of downtown. It is estimated that approximately eight million tourists will visit San Antonio in 1980, and that they will spend over \$55 million. Prior to 1964, San Antonio had assumed a low profile in selling the city as a visitor destination and convention site. On January 28, 1964, citizens voted approval of bonds for construction of a Civic-Convention Center. The bond package totalled over \$30 million, of which \$10,870,000 represented the city's participation in Hemis-Fair '68, the World's Fair commemorating San Antonio's 250th anniversary. The three-building center includes a multi-purpose Arena, the Theatre for the Performing Arts, and the Henry B. Gonzalez Convention Hall.

Along with existing facilities, San Antonio was able to enter more aggressively the competitive national convention market with a wide range of first-class meeting facilities. From a low year in 1967 when there were 146 conventions with 62,530 delegates spending \$9,379,500, the tourist/convention business grew to a figure of 190,000 delegates spending some \$34 million through the first nine months in 1979.¹ Visitor statistics are also impressive. From the 1967 total of 2,750,000 persons spending \$67,500,000 with an average stay of three days, San Antonio has become the attraction for 6,500,000 visitors. They spent \$165,000,000 while staying an average of 4.5 days. This approximates the level obtained for the World's Fair in 1968, the only year the city has made a special effort to attract visitors on a large scale through a special promotion.

According to the United States Travel Data Center, San Antonio, in 1976, ranked third in Texas in travel and tourist related expenditures. The total travel expenditures for the San Antonio area were \$479,611,600, approximately one-third that of the leaders. Dallas was first with an area total of \$1,400,000,000. Houston was second with an area total of \$1,200,000,000.² Due to the uniqueness of and the varied attractions in the central city, it

is estimated that 65 to 70 percent of the total travel related expenditures of \$479,611,600 is spent in the Alamo Plaza-Paseo del Rio area.³ As a result of this economic impact, there are 19,366 travel related jobs with a payroll of \$110,600,000. State tax receipts totalled \$19,000,000 while local tax receipts were \$4,900,000.⁴ When compared with 1975, this represents an increase in travel expenditures of 22 percent. Travel related jobs were up 19.1 percent while the payroll increase was by 34.4 percent.

In 1977, the San Antonio Convention and Visitors Bureau reported a general decline in conventions, number of delegates and number of room nights. Three salient facts to which was attributed the down turn are: increased competition from other cities; continuing deterioration of existing hotels; and the lack of new convention hotel rooms being added to the current supply. An inventory of the existing hotel/motel facilities reveals that there were, as of 1977, 18 widely scattered hotel/motel properties. These eight hotels and ten motels comprise a total of 3,845 rooms. The largest single block of committable rooms in any one facility is 350. In order to be competitive, San Antonio decided to embark on the effort to add to the inventory of hotel facilities. Part of the motivation for this effort

can be appropriately attributed to the fact that several of the city's most lucrative convention groups notified the Convention and Visitors Bureau of their intent to relocate if San Antonio has not acquired new hotels by the 1980's. There is evidence that San Antonio's public and private sector leaders have decided to remedy the situation. According to SA Magazine:

[There is] A veritable hotel boom: in 1979, 925 new rooms added (Plaza Nacional, Marriott, La Mansion del Rio addition). In 1979, 1,170 more rooms under construction (Hyatt Regency, Airport Holiday Inn, Granada Homotel), plus four renovations (St. Anthony, Gunter, Crockett, El Tropicano) and myriad potentials (Riverbend Parking Garage, Inn at Turtle Creek addition, Loop 410 Marriott Inn, HemisFair Plaza and east of Joske's). As rooms increase, so does convention business (and new jobs--almost one per room). Convention attendance in first nine months of 1979 surpassed all of 1978 (190,000 people spending \$34 million). 1980 looks even bigger. Similar tremendous growth in tourists: 8 million visitors spending over \$55 million expected this year. Additional hotel tax receipts permit bigger advertising budget for San Antonio Convention & Visitors Bureau. Enticing radio voice of "San Antonio Rose" will again this summer lure in-state visitors, who in 1979 increased enough to more than offset temporary losses caused by gas shortage. Other new Bureau promotions; new film and brochures on San Antonio in Spanish, German, French or Japanese, and a local awareness campaign to persuade San Antonians to visit local attractions. New attractions in progress: San Antonio Museum, San Antonio Botanical Center, Missions National Historic Park, Alamo Plaza--Riverwalk Pedestrian link.⁵

San Antonio, a city which relies heavily on tourism and conventions for economic growth and in support of nearly 20,000 travel related jobs, must increase the number of

quality convention hotel rooms and improve the retail related facilities in the central business district to exploit travel related expenditures while at the same time preserving and enhancing important historically significant attractions that exist in close proximity to the Paseo del Rio area.

In the next section of this report, the UDAG program, which was the stimulant in triggering redevelopment in a declared blighted area will be reviewed in detail.

CHAPTER I FOOTNOTES

¹City of San Antonio, Alamo Plaza-Paseo del Rio Linkage Project Preliminary Application (1977), Historical Narrative.

²U.S. Travel Data Center, Visitor Economic Impact in San Antonio, Texas for 1976. Prepared for the Convention and Visitors Bureau, City of San Antonio by the U.S. Travel Center (Washington, D.C.: U.S. Travel Data Center 1977).

³City of San Antonio, op. cit.

⁴City of San Antonio, op. cit.

⁵SA Magazine, "What's Ahead for the San Antonio Economy," (San Antonio: Metro Press, Inc. 1980), p. 38.

CHAPTER II

THE NATIONAL URBAN POLICY AND THE NEW PARTNERSHIP

On March 28, 1978, proposals for a comprehensive national urban policy were presented to the Congress by President Carter. This program was developed by the Urban and Regional Policy Group (URPG). The URPG, chaired by Secretary of Housing and Urban Development, Patricia Harris, was the cabinet level interagency task force charged with the responsibility for making recommendations to President Carter for the national urban policy. The authors of the URPG report carefully point out that America's cities are diverse and that the problems they face vary in intensity. They accept Richard Nathan and Paul Dommel's conclusion that "significant urban hardship is a localized infection, confined to certain cities and within these cities, to certain areas".⁶ They further conclude that urban distress, while found in many parts of the country, is primarily found in the older cities, usually in the north central and northeastern regions of the country. In seeking strategies and policies to address the problems associated with urban decline, the URPG has recommended that "the Federal Government must forge a close partnership with State and local

governments to address urban problems. It must work closely with the private sector in helping the Nation's cities".⁷

Involved in this "New Partnership" are the different levels of government, the private sector and neighborhood groups. Because urban problems are highly complex, a number of broad goals and objectives were necessary. As the URPG report points out:

In essence, then, national urban policies must be designed to achieve several broad goals.

*Preserve the heritage and values of our older cities;

*Maintain the investment in our older cities and their neighborhoods;

*Assist newer cities in confronting the challenges of growth and pockets of poverty in a fair, efficient and equitable manner and;

*Provide improved housing, job opportunities and community services to the urban poor, minorities and women.⁸

The report then goes on and makes ten major policy recommendations. However, the primary focus of this section is the Urban Development Action Grant program which is a main avenue to address urban decline and distress. In essence, this is the major goal of the comprehensive national urban policy.

Program Description and Eligibility Criteria

As noted previously, a UDAG was the stimulus which allowed and spurred revitalization in the historic down-

town commercial core of San Antonio. The results of this revitalization effort will be elaborated in another section.

The UDAG program, one of the Carter administration's major urban initiatives, was created by the Housing and Community Development Act of 1977 (PL 95-128)⁹ as a complement to the Community Development Block Grant Program.¹⁰ The UDAG program is a flexible economic development tool that seeks to bring about partnerships among government, the community, and private industry to overcome problems of development. It is perhaps the most dramatic component of the National Urban Policy and demonstrates the Federal Government's commitment to generate private reinvestment in America's cities. Kenneth W. Ellison in the Office of General Counsel at HUD explained the purpose of this program: "The Action Grant program is designed to help eliminate physical and economic deterioration in severely distressed cities and urban counties through the use of federal resources to leverage private capital investment, create new employment opportunities, and increase the local tax base".¹¹ In many ways the Action Grant program is symbolic of the National Urban Policy because it is targeted to urban areas in distress and requires a strong private financial commitment before a city can receive funds.

A total of \$400 million a year has been authorized for the three-year Action Grant Program. With \$100 million a year set aside for small communities with a basic level of assured, ongoing financial support for essential community development activities, the UDAG program can be used to:

- *Provide "front-end" money that allows communities to capture and leverage significant private investments;

- *Respond to unique, perhaps one-time opportunities while they are current, and,

- *Make substantial resources available when needed to join other Federal departments in meeting distressed cities' reinvestment needs.¹²

Eligibility for the Action Grant Program is limited to cities and urban counties that meet minimum standards of physical and economic distress and have demonstrated results in providing equal opportunity in housing and employment for low and moderate-income persons and members of minority groups. The implementing regulations¹³ establish numerical specifications for age of housing, per capita income, population lag/decline, unemployment, job lag/decline, and poverty; and criteria for establishing whether an applicant meets the minimum standards of physical and economic distress based on numerical indicators. The following symptoms of distress apply to metropolitan and large cities and urban counties:

*Per capita income-\$1,424 or less net increase between 1969 and 1974.

*Population growth-15.52 percent or smaller from 1960 to 1975.

*Unemployment rate-7.69 percent or greater for 1976.

*Employment growth-7.08 percent or smaller in manufacturing and retail between 1967 and 1972.

*Housing stock-34.15 percent or more constructed prior to 1940.

*Poverty level-11.24 percent or more of the city's population.¹⁴

In order to be declared eligible, large cities and urban counties must meet at least three of six "symptoms of distress", or four of the six if poverty is less than half of the median. If the community's per capita income is below the median and the percentage of people living in poverty is one and one half times the median, it may use a unique distress factor and meet only two of the six symptoms of distress.¹⁵

Decisions on application submissions and funding are made on a quarterly basis. Metropolitan cities and urban counties must submit their applications the first month of each calendar quarter, and funding decisions are made by the end of each quarter. After submission, according to Kenneth W. Ellison, an attorney-advisor at HUD, "Applications may either be approved, disapproved, or held over until the next funding cycle".¹⁶

Applications must include a detailed description of the public and private components of the Action Grant project, estimates of all project costs, a schedule of performance, and assurances that the applicant has complied with the citizen participation requirements and that the proposed project is consistent with the applicant's Community Development Program and Housing Assistance Plan as required by the CDBG program. In addition, the applicant is required to provide evidence of firm commitments from the private sector participants that they will carry out their portion of the project and that the necessary financial resources for all aspects of the project are available.

Applications are submitted to the HUD area office, which prepares a position paper on each project; but the program is primarily administered by a staff of about twenty-five professionals in the Washington, D.C., Central Office. Actual funding decisions are made by the Secretary of HUD based on presentations and recommendations from the Action Grant staff and the Assistant Secretary for Community Planning and Development.

Although the applications include firm private commitments, the regulations require that the applicant submit to HUD legally binding commitments from the private sector prior to the actual utilization of grant funds. A

Grant Agreement between the applicant and HUD is prepared, in consultation with the applicant, which sets out in detail the legally binding commitments that must be submitted and the minimum provisions that must be included in them. The Grant Agreement also establishes a performance schedule for both public and private activities, including the submission of legally binding commitments. The commitments include both agreements between the applicant and the private parties setting out their respective responsibilities, and assurances as to the availability of financing for the project activities. The required commitments are intended to assure that the private parties clearly understand and accept their obligations and that all the financing necessary for the completion of the entire project is available for and committed to the specified activities.

Program Analysis

As mentioned previously, one recommended strategy to combat urban problems associated with urban decline was the forging of a close partnership between state and local government and the private sector. By proposing this strategy, the URPB was in line with the logic of the Housing and Community Development Act of 1977. The Congressional findings and purpose seek: "Substantial expansion of

and greater continuity in the scope and level of Federal assistance, together with increased private investment in support of community development activities.....".¹⁷ In essence, the U.S. Congress holds that the public/private partnership is key to urban development programs. The impact of the public/private partnership has just recently been felt throughout communities involved in aggressive pursuit of urban development.

If we look back about three decades, we see the beginnings of this country's serious efforts to rebuild its cities. None of these efforts, however, called specifically for using federal funds as "front-end" money to leverage private dollars as the UDAG program does.

On April 6, 1978, Secretary Patricia Harris of HUD and now of HEW, announced the first round of the UDAG program in Washington.

The Urban Development Action Grant program can now begin to fulfill its promise for the urban places in America where the economic base has eroded, neighborhoods have deteriorated, and the poor are in need of jobs.... Our National Urban Policy calls for new partnerships between government and the private sector, and the projects receiving funds are good examples of these new partnerships.¹⁸

In examining Round I awards, funding went to help finance 50 projects in 45 cities around the nation. The 45 cities received a total of \$150 million that could be used as "front-end money" for joint public/private development

endeavors to combat economic and physical distress. The \$150 million were able to leverage \$978.8 million in new private investments by industry, residential and commercial developers, lending institutions, and small businesses. The Secretary noted that is a ratio of \$6.50 in private money for every UDAG dollar. She added that the federal funds created or retained 43,203 jobs, of which 19,526 will be for low-and moderate-income persons.¹³ The average Round I grant equalled \$3 million. The smallest was \$85,000 and the largest was \$12 million. (An arbitrary ceiling of \$12 million was set for Round I)

Almost half of the projects funded in the first round were for downtown commercial revitalization, thirteen of which involved hotel construction. Because the UDAG authorizing legislation requires that there be a "reasonable balance" nationally among industrial, commercial and neighborhood activities, there were outcries when the first round figures became known. The loudest protests came from neighborhood groups who pointed to the low number of neighborhood proposals that were approved for action grants.

Many comments have been advanced to explain the forty-four percent commercial, thirty-two percent industrial, and twenty-four percent neighborhood and residential breakdown of the project applications approved by HUD. Some argue that cities began preparing UDAG applications a year

before the bill had become law, and then saw a chance to get some large sums for front-end financing of projects that had previously been shelved. Large central business district applications did outnumber the neighborhood applications---perhaps because they are somewhat simpler to put together.

At the same time, HUD was under pressure to make fast project decisions with a small and unpracticed staff. Due in part to administrative regulations and in part to the need to establish a track record, the department concentrated on "ready-to-go" projects, which tended to be more conventional proposals. The National Council for Urban Economic Development says: "It is not suprising that a sizable number of first round awards went to projects with high visibility".¹⁹ In a somewhat more positive vein, however, the downtown commercial and hotel projects will create thousands of jobs for lower-income persons and minorities and will help arrest further tax base erosion. Appendix A shows a sample of the projects that were funded for Round I.

As is often the case with new programs, there was some degree of confusion at the local level and in Washington in the first round, but this should be straightened out after the first year of implementation. Since UDAG

is a discretionary program, department officials have the flexibility to adapt administration to different sets of circumstances in different cities.

Criticisms of Round I awards concerned several features of the awards, although the strongest criticism was aimed at the imbalance of project type. Some practitioners felt that the application form itself did not request enough of the right data, while others were unfamiliar with the kind of data necessary and were not always sure about what they were looking for and what it meant.

Some critics have argued that requiring a private sector commitment does not in itself constitute economic development. But most people recognize that UDAG is the first economic development venture by HUD and some have praised its transaction-oriented nature.

In some circles, there is fear that the program is going to subsidize private investment that would have occurred anyway, particularly in cases where the leveraging ratio is quite high. It is difficult to estimate how many of the projects would have occurred without the UDAG funds. As with the urban renewal program, there is no rigorous method for estimating with certainty how many of the projects would have occurred had not the UDAG program existed.

As far as the program subsidizing private investment, the criticism does have precedents. Martin Anderson in his critical analysis of the federal urban program in 1962 concluded:

...A high percentage of the funds for projects, which appear to be privately owned, are actually supplied by the federal government. Essentially the taxpayers of the United States are providing long-term loans to finance the building of new apartment buildings in urban renewal areas throughout the country.²⁰

In the second round of the Action Grants awards there were 39 joint public/private development projects which were backed up by more than \$465.1 million in private financial commitment. The projects were to create more than 13,000 permanent new jobs and some 11,600 others, while generating 12,300 construction jobs.²¹ Patricia Harris in announcing the awards added: "For the second time this year the Action Grant program has shown the ability to inspire new and creative partnerships between government and the private sector,...to help bring jobs and economic muscle to distressed cities".²² Secretary Harris commented that mayors were successful in arranging and submitting many good neighborhood proposals in the second round without neglecting opportunities for quality commercial or industrial projects. Neighborhood awards received the largest share of Action Grants--\$48 million, or more than \$21 million great-

er than the next largest category, commercial projects. Also, second round projects were strong in adaptive re-use, rehabilitation and historic preservation projects.

The Action Grants ranged from the largest, at \$13.5 million, for a neighborhood revitalization project in Denver's Chicano community, to the smallest at \$100,000, for a neighborhood improvement project in Pico Rivera, California. For a description of projects receiving Round II Action Grant awards see Appendix B.

The total Action Grant awards costs for the first year of existence were over \$2.7 billion. This represents almost six dollars of private sector investment for every Action Grant dollar invested. Secretary Harris was quick to point out: "I think this shows that the new partnership is on a very solid foundation".²³ Robert C. Embrey, Jr., Assistant Secretary for Community Planning and Development, added: "...the awards underscore the value of HUD's efforts to work with cities and their private sector partners on joint projects which initially were not competitive".²⁴ The total job impact to date in distressed metropolitan cities has been 61,737 new jobs created in the private sector, in addition to the retention of 34,769 jobs which would have been lost. In San Antonio the UDAG award created 1,500 new jobs and retained 1,500 jobs.²⁵ Of the total

projects, 111 have been industrial, 108 commercial, and 90 neighborhood oriented. As could be expected, the industrial projects generated the highest leverage (\$7.60 to \$1), followed by commercial (\$5.96 to \$1), and the neighborhood (\$5.21 to \$1) projects. Many of the projects are under construction, and at least ten have already been completed.

The nature of the projects themselves has been as varied as the needs and ingenuity of the applicants and their private partners. For example, the city of Detroit is utilizing \$3,500,000 of Action Grant funds for relocation benefits and public infrastructure to assist the General Motors Corporation and eight Detroit businesses in the rehabilitation of 300 housing units near the GM headquarters building. In Henderson, Tennessee, \$278,000 in grant funds will be used to construct a manufacturing building which will be leased to a new industry. Revenue derived from the lease will be used to pay off bonds being issued for the construction of a new sewage treatment plant to serve the industrial park. One of Baltimore, Maryland's projects involves \$10 million in UDAG funds for pedestrian walkways to connect the hotel to a new convention center and shoreline attraction. This project resembles San Antonio's in that pedestrian walkways and construction of a new hotel are vital developments occurring because of the UDAG funds.

In summary, it should be kept in mind that the program was created on the premise that, given the limited availability of public resources, the physical and economic revitalization of our distressed communities is impossible without the stimulation and convergence of substantial private development. The leveraging figures cited above, and the initial reaction to the program from both local governments and the private sector, give an indication that clearly points out that the public/private partnership concept can be successful. If the UDAG program can convince the private sector that, given the proper public participation, investment in these communities is "good business", it will be an important mechanism for achieving the revitalization goal of the National Urban Policy. However, the criticisms of the program must be carefully analyzed and attended to in order for the program to be of real significant impact in all facets of urban living, especially the criticism and outcries from neighborhood groups after Round I. Two of the criticisms of UDAG in San Antonio and across the country are: (1) many of the redevelopment projects would have been built anyway; and (2) neighborhoods and neighborhood groups benefit less than the private sector. The conventional wisdom suggests that both criticisms are valid.

For an understanding of how the redevelopment process works in both San Antonio and across the nation, the following chapters will concentrate on presenting the legislative background of redevelopment and the urban renewal program along with the legal framework in which the program operates.

CHAPTER II FOOTNOTES

⁶Paul R. Dommel and Richard P. Nathan, "The Cities," in Joseph A. Pechman, ed., Setting National Priorities: The 1978 Budget (Washington, D.C.: The Brookings Institution, 1977), p. I-27.

⁷The President's Urban and Regional Policy Group, A New Partnership to Conserve America's Communities, (Washington, D.C.: The Government Printing Office, March 1978), p. III-27.

⁸Ibid., p. III-2.

⁹Housing and Community Development Act of 1977, U.S. Code, Vol. 42, sec. 5318, 1977.

¹⁰Housing and Community Development Act of 1974, U.S. Code, Vol. 42, sec. 101 (c) (3), 1974.

¹¹Kenneth W. Ellison, "The Urban Development Action Grant Program: Using Federal Funds to Leverage Private Investment in Distressed Communities," The Urban Lawyer 11 (3) (Chicago: American Bar Association Summer 1979), p. 424.

¹²U.S., Department of Housing and Urban Development, Action Grant Program Fact Sheet, 6 April 1978.

- ¹³HCDA of 1977, sec. 5318.
- ¹⁴U.S. Department of Housing and Urban Development,
op. cit., p. 2.
- ¹⁵U.S. Department of Housing and Urban Development
op. cit., p. 3.
- ¹⁶Ellison (1979), p. 426.
- ¹⁷HCDA of 1977, sec. 5301.
- ¹⁸"UDAG Is Launched," Journal of Housing, Vol. 35
No. 5 (Washington, D.C.: National Association of Housing and
Redevelopment Officials), p. 227.
- ¹⁹National Council for Urban Economic Development,
"Analysis of UDAG Round I: Implications for Future Applicants"
(Washington, D.C.: National Council for Urban Economic
Development, 1978), p.2.
- ²⁰Martin Anderson, The Federal Bulldozer (Cambridge,
Massachusetts: The M.I.T. Press, 1964), p.62.
- ²¹U.S. Department of Housing and Urban Development,
HUD NEWS (Washington, D.C.: Government Printing Office July
1978), p. 3.
- ²²Ibid., p. 4.
- ²³Ibid.
- ²⁴Ibid., p. 5.
- ²⁵City of San Antonio, UDAG Project Description
(1979), p. 2.

CHAPTER III

THE LEGISLATIVE BACKGROUND OF URBAN REDEVELOPMENT

Although redevelopment is condemned by some and praised by many, in reality very few understand the whole process. A main vehicle for urban development across localities throughout the United States has been the federal urban renewal program. Most of the provisions of legislation dealing with urban redevelopment have centered in the area of housing. Bellush and Hauskrecht give the following reason for the focus on housing:

...in 1929 eighteen million families, roughly 50 percent of all families, were living at minimum subsistence income. A government inventory of real property in sixty-four cities revealed that 2.3 percent of all dwellings were unfit for human habitation; 15.6 percent were in 'good' condition. Much of the nation's housing was described as obsolete; many units lacked an interior water supply, were without private toilet, and a third still had only wood or coal-burning stoves. One expert summarized the situation by estimating that about ten million people lived under conditions that endangered their health, safety and morals.²⁶

The first measure that attempted to alleviate this housing problem was the Housing Act of 1937 which history has proved to be an unsuccessful attempt to alleviate the housing problem in urban areas. For example, the United

States Housing Authority, established under the 1937 Act, emphasized slum clearance. Although clearance may be useful, it resulted in fewer dwelling units within urban high-density areas.²⁷ What was needed simultaneously with slum clearance was a large-scale building program, because with the program many slum dwellers were worse off than before. Catherine Bauer pointed out: "In their enthusiasm for slum clearance government officials and advocates of public housing overlooked the fundamental problem, the lack of adequate housing."²⁸

The renovation of the larger environment received its first great boost with the passing of the National Housing Act of 1949.²⁹ Specifically, Title I of the Act, "Slum Clearance and Community Development and Redevelopment," provided for the clearing of slum areas and for their redevelopment for new purposes. Also in the 1949 Act, particular emphasis was placed on the role of private enterprise. During the legislative hearings, witnesses representing the traditional forces opposed to public housing testified. The bill, sponsored by an unlikely conservative trio of Senators Robert Taft, Allen Ellender, and Robert F. Wagner, Sr., contained an urban development program supported by many of the same groups opposed to its public housing provisions. It is generally felt that

the redevelopment sections helped overcome opposition to the public housing provisions. The following example gives an indication of how Title I operates:

Just south of Washington Square in New York in the late nineteen forties was an area of deteriorated industrial and commercial loft buildings interspersed with a handful of sound residential structures. This blighted area, adjacent to a Washington Square that had not yet had its charming brownstones razed by the university sharing the Square with them, was designated as a redevelopment area. Under Title I the costs incidental to planning the redevelopment of the area were defrayed by a federal loan to the City out of a fund specially set up for this purpose. After the plan was approved by the federal government the city purchased this valuable land for forty-one million dollars, and then resold it to private interests for twenty million dollars. Two-thirds of the twenty-one million dollar difference between what the City paid and the price it received for the land, the "write-down", was recovered in the form of a federal grant to the city. The other third, or seven million dollars subsidized the purchase of prime land by private entrepreneurs, with the federal government paying the lion's share of the subsidy.³⁰

Land acquired under Title I could be used for a wide variety of purposes: low-rent private housing; luxury housing; commercial or industrial use; public parks, etc. These projects undertaken by the Title I route, however, would have to conform to some over-all plan of a community.

The Housing Act of 1954 broadened the provisions of the 1949 Act to include federal assistance for the prevention of the spread of slums and urban blight through rehabilitation as well as through conservation of deteriorating areas. It was based in large measure on the 1953 advisory

commission report to President Eisenhower, the recommendations of which were aimed primarily at greater involvement of private enterprise in the elimination and prevention of urban blight through rehabilitation of existing buildings. It sought to provide a more comprehensive approach which would strike at blight, whereas before demolition was the only answer. The advisory commission also employed the term "urban renewal" as descriptive of the aims and objectives of the program and the federal statute was amended accordingly. In addition, the 1954 Act is said to be the first federal program to require comprehensive planning.

In order to qualify for federal funding, a city had to demonstrate that it had a "workable program" which contained items such as a housing code setting minimum standards, a plan for relocating those displaced, and some provision for participation by citizens. The 1954 Act also allowed funds to be used for projects that were not predominantly residential; and in succeeding years more and more projects were predominantly commercial. In the next section, the framework under which urban renewal operates will be described.

Operations of the Program

Any discussion that involves urban renewal evokes sensitive legal concerns about the federal program. This section of the project will attempt to bring into sharper

focus the issues that surround the operation of urban renewal. Special attention will be given to the all-important legal issues as they impacted localities across the United States as well as Texas.

The formal beginnings of an urban renewal project typically occur when the local governing body designates an urban renewal area, and authorizes the LPA (Local Public Agency) to apply to HUD for a survey and planning advance. Designation does not necessarily mean that urban renewal will be undertaken in the area. Rather, it is an initial showing, or preliminary substantiation, that conditions warrant the community's attention. When the LPA is ready with a plan, it then submits to HUD the Final Project Report. This is a most elaborate documentation in great detail--for example, project boundaries, designation and descriptions of buildings to be cleared or rehabilitated, plan objectives, reuse intentions and controls, relocation arrangements, acquisition cost and disposal price estimates, and the city's anticipated non-cash grants-in-aid. By federal statute, a public hearing must also precede approval of the urban renewal plan by the local governing body.

After the public hearing, the entire plan must be acted upon and adopted, by both the LPA and the local governing body. In its resolution, the municipal legislature must make specific findings as to the area's eligibility for

urban renewal, the necessity for any clearance or non-residential development, and the feasibility of the relocation plan. The LPA then files the approved plan, together with resolutions of approval, certification of procedural regularity and commitments of local grants-in-aid.³¹

The essence of urban renewal is the provision of federal assistance in the write-down of costs for land assembly, clearance, and redevelopment in slum and blighted areas. Usually, the federal government meets two-thirds of what is known as the "net project cost" of the urban renewal project, which is the difference between the total or "gross" project costs and proceeds from land disposition. Most of the federal subsidy, therefore, goes toward meeting the difference between what it costs to acquire slum and blighted property, and what the urban renewal agency obtains when it sells the cleared land for redevelopment. The cost to prepare the land and what the local renewal agency receives for the land is called the "write-down". At the end of 1962, for 555 projects that received approval under the two-thirds formula, the average write-down was approximately 70 percent. Table 1 shows cumulative gross project cost, disposition proceeds, and percent write-down for renewal projects approved under the two-thirds formula.

TABLE I

YEAR	CUMULATIVE GROSS PROJECT COST	CUMULATIVE EXPECTED DISPOSITION PROCEEDS FROM SALE OF LAND	PERCENT WRITE-DOWNS
1954	\$ 317,290 (thousands of dollars)	89,853 (thousands of dollars)	71.7
1955	397,736	111,004	71.3
1956	460,633	134,332	70.8
1957	833,285	262,469	68.5
1958	1,290,912	401,448	68.9
1959	1,743,442	551,906	68.3
1960	2,206,349	677,463	69.3
1961	2,915,450	880,321	69.8
1962	3,257,810	974,847	70.1

Source: The Federal Bulldozer, Martin Anderson

Another important feature of urban renewal is the insistence of the federal government that program implementation be preceded by community wide planning.³² This is due to the fact that there was dissatisfaction with the successes of city planning up to that time. "Urban Renewal was seen partly as a method for putting teeth in the planning process,"³³ However, the planning requirement as stated in the federal statutes is considered weak in some circles. The statute requires a finding that "The urban renewal plan conforms to a general plan for the development of the locality as a whole."³⁴ These requirements are quite general and permit the locality to delay completion of the community plan until project planning for the urban renewal project is completed.³⁵

The following is a summary of the major stages of an urban renewal project and the order in which they usually occur:

1. Land acquisition. This initial step involves acquiring the land and old buildings in the area designated for urban renewal. The land normally is acquired through negotiations but the renewal agency may use the power of eminent domain to force owners to sell.

2. Relocation. As real estate is acquired, the local agency forces the individuals, families, and businesses located in the area to move and assists them in finding new homes and places of business elsewhere.

3. Site Clearance. As early as possible, the buildings that the authorities of the renewal agency consider no longer useful are demolished.

4. Site Improvement and Supporting Facilities. After land clearance, the local renewal agency usually improves the land so that it will be attractive to a private developer. Site improvements include the construction of necessary public facilities, such as streets, sewers, water mains, and lighting systems. "Supporting facilities" is an umbrella term to describe new public construction such as libraries, schools, parks and other public buildings.

5. Disposition of Improved Land. The cleared and improved land may be disposed of by the local renewal agency in four different ways. It may be sold, leased, donated, or retained.

6. New Construction. If the land is disposed of to a private developer, construction must conform to a general plan approved by the renewal agency.³⁶

Legal Framework

Title I of the Federal Housing Act of 1949 entitled "Slum Clearance and Community Development and Redevelopment," authorized the onslaught against urban blight. This social program has been challenged, to a large extent, on the contention that local public agencies may not constitutionally exercise the power of eminent domain to carry out urban redevelopment on the ground that land condemned will not be taken for public use. In this section, the legal boundaries of urban development will be presented. Both the federal legislation and the Texas Urban Renewal Law will be discussed as they apply to urban development.

Before proceeding to the impact and ramifications of the relevant provisions in both the Constitution of the United States and the Texas Constitution, a working definition of "eminent domain" is mandated. "Eminent Domain" as it applies in Texas was clarified in Byrd V. Smythe (146 SW 1064):

Eminent domain is the right or power of a sovereign state to appropriate private property for the promotion of the general welfare. More specifically, eminent domain is the right of the state, or of those to whom the power has been delegated to condemn private property for public use, and to appropriate the ownership and possession of the property after paying the owner due compensation. ³⁷

Delegation of the power of eminent domain, as well as its exercise either by the state or by any delegate, is subject to relevant provisions in both the United States Constitution and the Constitution of Texas. These fundamental laws contain provisions that property may not be taken for public use without adequate compensation,³⁸ and that no person may be deprived of his property except by due course of law.³⁹

The Urban Redevelopment Title provides for a program to be administered by appropriate local public agencies. The Act authorizes the acquisition by the local public agency of a blighted area, its clearance and preparation for redevelopment as specified in a redevelopment plan which has received the approval of the local governing body. It is contemplated that the land will be leased or sold under conditions which will ensure its use in accordance with the redevelopment plan and which will prevent the recurrence of blight. Also, private enterprise is to be given the maximum opportunity to undertake the proposed redevelopment.

Although there are numerous aspects to both the federal urban renewal program and Texas urban renewal, the topic under discussion is confined only to considerations of public use, or public purpose, as they arise in connection

with the power conferred on the designated local public agency to acquire blighted areas through the exercise of eminent domain.

Prior to 1954, it was generally accepted that private property could not be taken by eminent domain except for a public purpose, or as the rule is also phrased, for a public use. (In this paper the terms "public use" and "public purpose" will be used as equivalents.) Two alternative rules have been adopted by the courts to apply this general test. Under one, an actual use by the public is required. Other courts have adopted the other rule, a use beneficial to the public, as adequate. The power to sell or lease the acquired land to private persons for redevelopment has also served as the basis for a challenge to the exercise of the power of eminent domain. In one case, for example, the urban redevelopment law was claimed to be unconstitutional as authorizing the condemning of "the lands of one private person to be devoted to the uses and purposes of another private person".⁴⁰

Those courts which have found favorably on the constitutional issue have usually concentrated on this contention. Typical of these cases is Nashville Housing v.

City of Nashville⁴¹ (192 Tenn. 103, 237 S.E. 2d 946) in which the Tennessee Supreme Court pointed out that the same constitutional questions were involved under both the public housing and urban redevelopment laws. That the clearance of slums is a public purpose had been acknowledged previously by the Tennessee court in upholding public housing law. In this case the court added that this public purpose is nonetheless achieved although, as "an incident", the cleared area passes into private hands for redevelopment under supervision of the public agency.

In most other cases upholding urban redevelopment, a similar approach has been taken. The courts held that the elimination of blight was the controlling purpose. Though there was the possibility of subsequent resale or lease of the land to private persons, this could be disregarded as incidental.⁴²

Of the cases which have found urban redevelopment to be constitutional, two discuss the use-by-the-public test but adopt, by implication, the public benefit approach.⁴³ (Only one opinion, that of the Oregon court in Foeller v. Housing Authority (256 P. 2d 752) adopts the use-by-the-public test, and this court found it possible to find urban redevelopment constitutional even under this rule.)

The landmark case at the national level is Berman v. Parker (348 US 26, 99 L ed 27, 75 S Ct 98), which involved

the District of Columbia Redevelopment Land Agency and the owner of property used as a department store. The District of Columbia Redevelopment Land Agency was delegated power to acquire and assemble by eminent domain and otherwise real property to result in redevelopment. The owner of the property argued that the property was commercial not residential property or slum housing; that, under the terms of the statute, (The District of Columbia Redevelopment Act of 1945 60 Stat. 790. DC Code 1951 Sections 5-7 1--5-719), it would be put into the redevelopment project under the management of a private, not public, use; and that the statute thus operated to deprive him of the Fifth Amendment's guaranties of due process of law, and that private property may not be taken for public use without just compensation. The trial court ruled in favor of the constitutionality of the statute. On appeal, Justice William Douglas, speaking for a unanimous Court, affirmed the decision of the court, holding that the redevelopment of the District of Columbia was a public purpose for which Congress could properly exercise its police power, and the power of eminent domain. In addition, it was ruled that, the public purpose having been established, Congress could attain that purpose on an area, rather than a structural, basis notwithstanding that this involved a taking, in eminent domain, of innocuous and offending property locat-

ed in an area to be redeveloped. The act was held to contain sufficiently definite standards to sustain the delegation of authority to the agency, and to empower the Agency to take full title to land in redevelopment areas, as distinguished from title to the objectionable building located on it.

Justice Douglas most eloquently presented the unanimous opinion. The following are excerpts from Berman v. Parker:

The concept of the public welfare is broad and inclusive....The values it represents are spiritual as well as physical, aesthetic as well as monetary. It is within the power of the legislature to determine that the community should be beautiful as well as healthy, spacious as well as clean, well-balanced as well as carefully patrolled.⁴⁴

As far as the role of the private sector is concerned, Justice Douglas elaborated:

...For the power of eminent domain is merely the means to the end....Here one of the means chosen is the use of private enterprise for redevelopment of the area. Appellants argue that this makes the project a taking from one business man. But the means of executing the project are for Congress and Congress alone to determine, once the public purpose has been established. The public end may be as well or better served through an agency of private enterprise than through a department of government....⁴⁵

The decision by Justice Douglas also had implications for comprehensive planning:

...The particular uses to be made of the land in the project were determined with regard to the needs of the particular community. The experts concluded that if the community were to be healthy, if it were

not to revert again to a blighted or slum area, as though possessed of a congenital disease, the area must be planned as a whole...It was important to redesign the whole area so as to eliminate the conditions that cause slums--overcrowding of dwellings, the lack of parks, the lack of adequate streets and alleys, the absence of recreational areas, the lack of light and air, the presence of outmoded street pattern.⁴⁶

In conclusion, Mr. Douglas wrote: "The rights of these property owners are satisfied when they receive that just compensation which the Fifth Amendment exacts as the price of the taking".⁴⁷

As of 1974, 24 Texas cities had undertaken redevelopment through the use of the Texas Urban Renewal Law.⁴⁸ This act was passed in fulfillment of the requirement of the federal government that necessitated enabling state legislation before cities in Texas could take part in the distribution of large sums of money through federal assistance programs for urban renewal efforts. The act, passed in 1957, provides for either the rehabilitation of slums and blighted areas or the clearance of such areas within a city and their subsequent redevelopment by private enterprise.⁴⁹ The law itself defines a "slum" area as:

"Slum area" shall mean an area within a city in which there is a predominance of either residential or non-residential buildings or improvements which are in a state of delapidation, deterioration, or obsolescence due to their age, or for other reasons; or an area

in which inadequate provisions have been made for open spaces and which thus are conducive to high population densities and over crowding of population; or an area in which conditions exist, due to any of the hereinabove named causes, or any combination thereof, which endanger life or property by fire or by other causes, or which is conducive to the ill-health of the inhabitants of the area or to the transmission of disease, and to the incidence of abnormally high rates of infant mortality, or which is conducive to abnormally high rates of crime and juvenile delinquency and is thus an area which is detrimental to the public health, safety, morals or welfare of the city.⁵⁰

The redevelopment plan however, must conform to and further the urban renewal plan. The act itself defines "urban renewal plan" as follows:

"Urban Renewal Plan" shall mean a plan for an urban renewal project, which plan (1) shall conform to the general plan of the city as a whole, except as provided in Section 7 (h) of this Act and (2) shall be sufficiently complete to indicate zoning and planning changes, if any, and maximum densities; such land acquisition, redevelopment, rehabilitation, and demolition and removal of structures as may be proposed for the urban renewal area; and the plan's relationship to local objectives respecting public transportation, traffic condition, public utilities, recreational and community facilities, and other improvements.⁵¹

The act prescribes some conditions under which a city can exercise the powers granted to it. The city government must conduct a referendum to determine whether a majority of the city's voters feel that a slum or blighted area exists in the city, and whether slum clearance and redevelopment of the area as described in the law itself should be allowed.

In the city of Lubbock, however, the constitutionality of the Texas Urban Renewal Law was challenged by a private property owner who sought to enjoin the City and the local public agency from exercising the powers of eminent domain proceedings against his property lying within the urban renewal area.⁵² (Davis v. Lubbock, 160 Tex 38, 326 S.W. 2d 699) Perhaps the strongest point brought out by the property owner was the Act's interpretation of the terms "public use" and "public purpose". He contended that it was unconstitutional because it allowed the jurisdiction to take a private citizen's property and then convey that property to another private citizen. The Texas Supreme Court, however, held that property taken for the purposes set forth in the Act was taken for a public use and that state funds were expended for a public purpose when spent for a project under the law.⁵³ In setting forth this logic, the Supreme Court of Texas proclaimed "Whether a taking of property is for a public use and whether the spending of public money is for a public purpose are questions for the judiciary, not the legislature, to decide".⁵⁴ (Davis at 704,709) According to Arthur Troilo, former Special Assistant to Secretary of HUD, "Thus the opinion settled most of the constitutional questions relating to the future exercise of urban renewal powers of cities or agencies and accordingly since Davis, there have

been few reported cases contesting the exercise of urban renewal powers of cities or agencies".⁵⁵

Due to Justice Greenhill's comprehensive opinion, Davis v. Lubbock warded off future litigation which would have been forthcoming on some issues arising under the Act. After thoroughly reviewing the urban renewal laws throughout the nation, the court in Davis held:

(1) The legislature has the authority to create, within the cities, a public body corporate and politic known as the urban renewal agency.⁵⁶

(2) The elimination of blight and slums is a valid public use of property.⁵⁷ Therefore money spent by municipalities, in pursuance of the objectives of the Urban Renewal Law, constitutes an expenditure of money for public purposes within the meaning of the Texas constitutional provisions requiring that taxes be levied and collected for public purposes only.⁵⁸

(3) Property purchases by a city under the Urban Renewal Law, providing for redevelopment by private individuals, can be sold at its fair market value. Even though such a selling price may be less than the cost of acquisition and clearance of such land, this does not constitute a gratuitous and unconstitutional granting of public money to individuals.⁵⁹

(4) The fact that certain property within a slum area meets minimum requirements of the city building code does not preclude the city from taking such property under the Urban Renewal Law.⁶⁰ In assessing the decision by the Texas Supreme Court, urban professionals and attorneys view it as a "liberal interpretation",⁶¹ and generally, the judicial response has been favorable; however, adverse decisions on the constitutionality of urban redevelopment were handed down by the Florida Supreme Court in Adams v. Housing Authority (60 S.O. 2d 663)⁶² and by the Georgia Supreme Court in Housing Authority v. Johnson.⁶³ (74 S.E. 2d 891) Both of these decisions resulted from a failure to accept urban redevelopment as a socially justifiable public endeavor, although the Florida court based its conclusions on inconsistent notions of what a slum clearance program should be. Another reason for unconstitutional holding was that the power of eminent domain was to be exercised primarily to transfer property from one private owner to another for private gain. Both decisions were handed down in 1953, a year before Berman v. Parker.

CHAPTER III FOOTNOTES

²⁶Jewel Bellush and Murray Hausknecht eds.,
"Historical Overview," in People Politics and Planning
(Garden City, New York: Doubleday & Company, Inc. 1967),
p. 4.

²⁷Ibid., p. 12.

²⁸Catherine Bauer, "Redevelopment: A Misfit in the
Fifties," in Coleman Woodbury ed., The Future of Cities
and Urban Redevelopment (Chicago: University of Chicago
Press, 1953), p. 8.

²⁹Housing Act of 1949, 63 Stat. 414, 42 U.S. Code,
secs. 1451 et. seq.

³⁰Bellush and Hausknecht (1967), p. 12.

³¹Curtis Berger and Joel Cogen, "Responsive Urban
Renewal: The Neighborhood Shapes the Plan," in Urban Law
Annual, Vol. 32 No. 1 (St. Louis: Washington University
Press 1968), p. 75.

³²Roger Cunningham and Daniel Mandelker. Managing
Our Urban Environment (New York: The Bobbs-Merrill Company,
Inc., 1971), p. 801.

³³Ibid.

³⁴U.S. Code, sec. 1455 (a)(iii) (Supp. V 1970).

³⁵U.S., Department of Housing and Urban Development, Urban Renewal Handbook, RHA 7204.1, Chapter 2, 1968.

³⁶Anderson (1964), p. 18-19.

³⁷Byrd v. Smythe, 146 SW 1064, (1911).

³⁸U.S. Constitution, Amendment V.

³⁹U.S. Constitution, Amendment XIV.

⁴⁰"Slum Clearance in City of Detroit," 331 Mich. 714, 50 N.W. 2d. 340.

⁴¹Nashville Housing Authority v. City of Nashville, 237 S.E. 2d. 946 (1953).

⁴²Daniel R. Mandelker, "Public Purpose in Urban Development," Tulane Law Review Vol. 28 (New Orleans: Tulane University Press 1953), p. 100.

⁴³Ibid., p. 101.

⁴⁴Berman v. Parker, 99 L. ed. 27 (1954).

⁴⁵Id. at 38.

⁴⁶Id.

⁴⁷Id. at 39.

⁴⁸Texas Revised Civil Statutes Annotated, Article 1269 I-3.

⁴⁹Id. at 381.

⁵⁰Id. at 376.

⁵¹Id. at 377.

⁵²Davis v. Lubbock, 326 S.W. 2d 699 (Supreme Court of Texas 1959).

⁵³Id. at 709.

⁵⁴Id. at 704, 709.

⁵⁵Arthur Troilo, "The Texas Urban Renewal Law - An Important But Primitive Tool for Community Development," St. Mary's Law Journal Vol. 6 (San Antonio: St. Mary's University Press Spring 1974), p. 79.

⁵⁶Davis v. Lubbock, id. at 699, 710.

⁵⁷Davis v. Lubbock, id. at 709.

⁵⁸Davis v. Lubbock, id.

⁵⁹Davis v. Lubbock, id. at 709 - 710.

⁶⁰Davis v. Lubbock, id. at 710 - 711.

⁶¹Interview with Arthur Vega, Attorney, Hardberger and Herrera, Inc., San Antonio, Texas, 7 March 1980.

⁶²Adams v. Housing Authority 60 So. 2d 663 (Supreme Court of Florida, 1953).

⁶³Housing Authority v. Johnson 74 S.E. 2d 891 (Supreme Court of Georgia, 1953).

CHAPTER IV

THE HYATT REGENCY-ALAMO PLAZA/PASEO DEL RIO LINKAGE PROJECT: AN ADVENTURE IN PUBLIC ENTREPRENEURSHIP

In San Antonio, as well as in other cities across the United States, there are major development efforts underway aimed at the revitalization of downtown areas. One characteristic common to these revitalization efforts is that both the public sector and private sector are playing significant roles in realizing development projects. In essence, the public sector is playing the role of public entrepreneur. The public sector's role is in the form of "land leasing, direct loans and/or guaranties, tax abatement, land write-downs, interest subsidies to the developer, special zoning, or other types of development incentives".⁶⁴

Examples of public/private sector collaboration have been evident now in cities such as Winston-Salem, North Carolina, and in Columbus, Ohio, and others. In Winston-Salem, the arts are the focal point to the downtown development plan. The strategic role of the arts in revitalizing the nation's cities has been increasingly recognized by public officials at all levels as well as by the business community. Winston-Salem, which has pioneered in so many of the nation's arts

and arts-related frontiers, believes that by focusing on a "Cultural Block" as an urban revitalization tool, it will make the arts more widely used and enjoyed by the community, and will also reflect the social and economic changes occurring within the region and nation as a whole. The City of Winston-Salem utilized EDA, CDBG, urban renewal, and general revenue funds to leverage private dollars.

In Ohio, there exists enabling legislation that authorizes community urban redevelopment corporations (CURC's) to enter into a cooperative development program with the municipality in order to redevelop projects in areas the municipality has declared blighted.⁶⁴ In Columbus, the Capitol South Community Urban Development Corporation was formed and charged with the responsibility of developing an interrelated mixed-use project in a 3-block area in the heart of downtown Columbus. The City of Columbus utilized EDA Title I funds and private sector funds in excess of \$750,000. In addition, city leaders are hoping that a UDAG will be awarded in the future. In other cities there are similar joint public/private ventures.

In San Antonio, city administrators have been actively involved in working out plans for financing joint public/private development projects. One such project undertaken through public/private collaboration is the Alamo Plaza/Paseo

del Rio Linkage Project, which is the focus of this chapter. In addition to connecting two major tourist attractions, the project will involve the construction of a luxury hotel and parking structure across the street from the hotel. The role of the City of San Antonio, as a development partner, was to secure the real property in the area currently under renovation. The San Antonio Development Agency (SADA) administered all land acquisition and related activity on behalf of the City. Administration of land acquisition by SADA, the City's designated urban renewal agency, includes maintaining documentation to prove compliance with the Uniform Relocation Assistance and Real Property Acquisition Act of 1970, and all other applicable Community Development and UDAG rules and regulations. Appendix C shows the program costs of the Linkage Project from September 7, 1978, through June 30, 1979.

In the past, several extensive and costly plans for redevelopment and revitalization have been prepared. Two of the best known plans are Del Alamo General Neighborhood Renewal Plan published in 1966 and The San Antonio River Corridor Plan published in 1973 by Skidmore, Owings, & Merrill and Marshall Kaplan, Gans and Kahn in joint venture. Both of these plans are quite extensive and call for carefully coordinated efforts on the part of various city de-

partments. These plans represent a growing concern over the physical deterioration, obsolescence and declining economic base of the central city. This concern is realistic because of the tremendous investment in planning and public utilities in the central business district of this expanding city. As part of this on-going planning, the City Council created the Central City Development Council in 1972. The representation of this group included representatives from private organizations and governmental agencies that have responsibility and interest in downtown. Because of the important role that the central city plays in the region's economy, the operating objective of the Central City Development Council was to reverse the trend of deterioration in the downtown vicinity by stimulating private development. The desired result is an improvement in the quality of urban living for the citizens of the Greater San Antonio area.

In another effort aimed at downtown revitalization, the San Antonio City Council created Centro 21 in 1975. The primary purpose of Centro 21 is to advise council on matters that relate to downtown revitalization and development-- parking, housing, transportation, and travel-related enterprises. Centro 21 has adopted the policy of working with all existing organizations and agencies to encourage and assist them in bringing to fruition those central city projects which

each organization and agency has previously proposed but has not been initiated for one reason or another.

Through the efforts of Centro 21, downtown revitalization efforts have been increasing. In addition, San Antonio's economic development surge has been sparked by federal money. In recent years, there has been a proliferation of federal money that aims to address problems of economic development in San Antonio and other cities around the country. The Economic Development Administration (EDA), the Small Business Administration (SBA), and the Urban Mass Transit Administration (UMTA), along with the UDAG program have been instrumental in stimulating private investment. The UDAG program most recently has been a catalyst for redevelopment purposes and private sector involvement in a blighted area in San Antonio's inner city section. San Antonio's two UDAG projects (Alamo Plaza/Paseo del Rio Linkage Project and Vista Verde South Project), are expected to trigger private investment in excess of \$165 million. However, the Linkage Project, being a single-purpose project, has been easier to realize than mixed-use projects such as Vista Verde South.

The Linkage Project was first proposed in the early 1960's by businessmen who had an interest in exploiting San Antonio's natural and historic resources.⁶⁵ In January of

1978, the City of San Antonio applied for an Urban Development Action Grant for the amount of \$6.5 million. Upon successful review of the application, the City was awarded the Action Grant and moved forward on an ambitious project for redevelopment of an area in the heart of San Antonio's downtown commercial core. The linking of two major tourist attractions is the first great boost since the opening of "HemisFair '68" on April 6, 1968.

In the years preceding recent revitalization efforts, San Antonio, an old city founded in 1718, had been experiencing problems of urban decline that are often attributed only to cities in the northeastern section of the United States. Distress factors of particular urgency were and remain higher than average unemployment, decline of retail and manufacturing jobs in relation to national trends, a high level of poverty, and low per capita income. Outmigration of business from the central business district and a downturn in 1977 in tourism and conventions were viewed as situations that required immediate remedy. Many felt that the UDAG program was an excellent avenue for combating the decline of the downtown area. High priority interrelating goals of the San Antonio Overall Economic Development Plan (OEDP),⁶⁶ developed in 1972 and updated in September of 1976, and the 2nd and 3rd year Community Development Plan and Block Grant

Application (HUD 7015.2 pp.10 and 11; nos. 6 and 7) address this problem. They are meant to encourage private investment with properly timed public development projects needed to stimulate commercial development and to preserve historic sites which have an impact on the cultural and economic life of the City. Inclusion of Action Grant program funds affords a unique opportunity for San Antonio to address particular problems requiring increased public assistance and private investment to alleviate physical and economic deterioration in a timely manner. The initial strategy, therefore, was to place top priority on central business district revitalization and development of adequate convention hotel rooms and facilities to reverse the downturn in tourism and conventions. Until financing became more available in 1977, San Antonio had not built a new hotel of any size since 1968 (Hilton Palacio del Rio). Upon analyzing the situation, Bill Schlansker, an Assistant to City Manager Tom E. Huebner, and now Executive Director of Centro 21, began to move on a plan that embodied a variety of ingredients:

Encouragement to major chains and to local businessmen to back new hotels, which in turn would provide additional space needed when tourism began to increase again; buying land between the Paseo del Rio and the Civic complex, leasing some of it and landscaping much of it; a federal grant, and the participation of an economic force in behalf of the Mexican-American minority.⁶⁷

With financing becoming more of a reality, and the city on the move to encourage business, attorney Pat Kennedy, arranged with Metropolitan Life to finance the addition of 178 rooms and a convention facility to La Mansion del Rio. He also financed a luxury hotel, La Mansion del Norte, on San Antonio's Loop 410 near the International Airport.

The City of San Antonio was in the "hotel derby" as packager of land because the City owned some of the most desirable parcels. As Schlansker points out: "For the 250-room Four Seasons-Plaza Nacional and 500-room Marriott, we leased them some of our best land and wished them our best!"⁶⁸ In addition to reversing this downturn, it is anticipated that the project will address the following pressing needs:

- Revitalize the historic Alamo Plaza area
- Reverse the decline of the central business district
- Improve the city tax base
- Increase the utilization of the Convention Center
- Provide centralized parking facilities
- Stimulate provisions of central city housing opportunities
- Expand the leasable square feet of new commercial property in the central business district
- Create employment and entrepreneurial opportunities for low and moderate income persons and minorities
- Expand the overall economic activity of the San Antonio economy by over \$60,000,000 per year⁶⁹

The Alamo Plaza/Paseo del Rio Linkage Project is a comprehensive revitalization program covering six blocks in the heart of San Antonio's historic downtown commercial core. Because of the extensive nature of the plan, there are a number of interrelating components of both public and private sector activities which are more fully described below.

Riverwalk Linkage

The Riverwalk linkage is a proposed two-block pedestrian linkage between Alamo Plaza and the Paseo del Rio. Between the Alamo and the San Antonio River, however, is an area of increasing physical and economic decay similar to that experienced in central business districts of older cities of the northeast since World War II. With the River and Alamo Plaza as focal points for revitalization, the linkage is designed to open up business and employment opportunities in this prime area of the historic downtown district.

The Linkage Project will be a multi-level pedestrian system taking advantage of grade differentials to provide pedestrian circulation at both the River and street level. Greater access, visual exposure and aesthetic improvements provided by the project will increase the market potential of the area and utilize private reinvestment in preservation, rehabilitation and new construction projects. This in

turn will increase the center city tax base, establish business incentive, and generate new employment countering trends of decline. The major development to be triggered by the Linkage Project will be a \$30 million luxury convention hotel (Hyatt Regency San Antonio Hotel) and commercial complex to be constructed along the Riverwalk extension.

Convention Hotel

This part of the project, as noted above, is the key development of the Linkage Project. The exact location of the hotel is in downtown San Antonio in an area bordered by Broadway to the east, Crockett Street to the south, Presa Street to the west, and College Street to the north. The official name of this facility will be Hyatt Regency San Antonio Hotel, and it is to be operated by the Hyatt Hotel Corporation. The conceptual design calls for a 641-room luxury convention hotel located on the bank of the San Antonio River in such a way that the rooms are arranged in the form of a "C" with a series of gardens and platforms terraced up from the Riverwalk. The open end of the "C" will be closed on the river side with a 16-story high glass curtain wall to provide terraces with a year-round garden environment. The lowest level of this space is part of the Riverwalk Linkage to Alamo Plaza and will serve as a mall providing sidewalk dining, entertainment and shopping. These facilities will serve meetings or banquets for groups of 50

to 1200. Also, food and beverage facilities will include a gourmet restaurant and coffee shop, along with an atrium bar. Above the terrace levels are the guest rooms which will be situated so that virtually every room will have a view of either the city skyline on the north, the Alamo to the east, the Tower of the Americas and the River to the south, and the River to the west. The Project Description in the Appendix summarizes most of these details. The owners are an investment partnership made up of the following: (1) Hardin Investment Associates of Atlanta, (2) Mr. Belton K. Johnson of San Antonio, (3) The Mexican American Unity Council of San Antonio, and (4) AFCO Realty Associates of Atlanta. The developer is the Ira Hardin Company of Atlanta, and general contractor is Hardin International, Inc. of Atlanta. There are two architectural firms involved: Ford, Powell and Carson, Incorporated, Architects and Planners of San Antonio and Thompson, Ventulett, Stainback & Associates, Incorporated of Atlanta. The construction financing involved three banks: The National Bank of Commerce (San Antonio); The Frost National Bank (San Antonio); and First City Bank (Houston). The permanent financing institution is the Metropolitan Life Insurance Company.

Broadway Parking Structure

Adjacent to the hotel is a planned 5-level, 532-car parking facility. The parking garage will serve hotel guests

for both rooms and special functions as well as provide needed parking for visitors to the Alamo and the Riverwalk. Also, it is anticipated that a number of users will wish to shop in the retail area of Houston Street which is in need of retail support. The garage will provide approximately 7,500 square feet of retail facilities along Houston Street and Broadway and space for public toilets, an office for the Riverwalk Superintendent and a refreshment stand/cafe on the Riverwalk side.

Contraflow Bus Lane Improvements

The Contraflow Project was built and completed in 1979 between Houston Street and Commerce Street. The 1,020 foot contraflow lane is adjacent to the west curb of Alamo Street and is opposite the Alamo Plaza. The project will enable approximately 323 busses per day to be given preferential treatment to expedite passenger movements.

The total estimated project cost for the Alamo Plaza Contraflow Bus Lane Project was \$788,066. Of that amount, 80% or \$630,452.80 was funded by the Urban Mass Transit Administration utilizing Section 5 Capital Assistance funds; 13% or \$102,448.58, came from the Texas Public Transportation Fund; and the remaining 7% or \$55,164.62 came from the Metropolitan Transit Authority.

New Commercial Development

New commercial space which is to be developed with the Riverwalk extension will be 11,600 square feet of leasable new commercial property in a partially enclosed shopping and entertainment mall.

It is expected that this new commercial development will afford retail opportunities to local merchants, minority entrepreneurs and high quality national chains.

Existing Commercial Revitalization

Several major existing retailers in the Alamo Plaza district are committed to remain at their present locations and to undertake major improvements to their properties when the Alamo Plaza-Paseo del Rio Linkage Project becomes a reality. Among those prepared to expend private funds to upgrade their properties are the J.C. Penney Company, F.W. Woolworth Company, and Frank Brothers (Hart, Schaffner and Marx).

Historic Facade Restoration

A major component in upgrading the commercial properties in the Alamo Plaza district will be the restoration of the facades of historically significant buildings, especially those which face the Alamo. This is seen as a critical alternative to proposals, now rejected by City Council, for widespread clearance and new construction. City

Council reserved \$500,000 in Community Development Block Grant funds for a revolving loan fund to be available to property owners for facade restoration. In addition, the City received \$1.3 million from the EDA for the restoration of the two most historically significant blocks of the Plaza on the west side of Alamo Street, including the Dullnig Building and Reuter Building.

Archaeological Investigations

Due to the historic character of the area and the importance of the site of the proposed convention hotel and Riverwalk extension during the Battle of the Alamo, the Center of Archaeological Research at the University of Texas in San Antonio has been conducting archaeological testing to assess possible subsurface archaeological resources. A budget estimate of \$68,126 has been prepared by UTSA. The City of San Antonio, through an agreement with the Center for Archaeological Research, UTSA, will be responsible for implementing the Archaeological investigations.

Cost Summary

A summary of the public/private sector leverage impact of the UDAG follows.

Private Sector Financing

Long-term private financing	
Hotel-commercial complex	\$ 20,000,000
Commercial revitalization	5,140,000
Private Equity	
Hotel-commercial complex	5,000,000
Commercial revitalization	2,878,000
Total private financing	<u>\$ 33,018,000</u>

Public Sector Funding

City of San Antonio	
CDBG funds	\$ 2,000,000
General Revenue Funds	68,000
Borrowings (Certificates of Obligation and Revenue Bonds)	8,500,000
Urban Mass Transit Administration	630,454
Texas Public Transportation Fund	102,449
SA Metropolitan Transit Authority	55,165
Economic Development Administration (Section 4)	1,300,000
Small Business Administration (Sec. 502)	<u>1,750,000</u>
Total Public Funding	\$ 14,406,068
Total Resources	\$ 47,424,068

CHAPTER IV FOOTNOTES

⁶⁴Joseph G. Madonna, "Public/Private Partnership for Downtown Development," Urban Land, Vol. 39 No. 2 (Washington, D.C.: Urban Land Institute, February 1980), p. 12.

⁶⁵Ibid., p. 13.

⁶⁶Interview with Claire Regnier, Executive Director, Paseo del Rio Association, San Antonio, Texas, 22 January 1980.

⁶⁷City of San Antonio, San Antonio Overall Economic Development Plan (1972), p. 38 - 39.

⁶⁸Louis Alexander, "Hotel Financing," Texas and Southwest Hotel-Motel Review (San Antonio: Hotel Review Company, Inc. May 1979), p. 54.

⁶⁹Interview with William B. Schlansker, Executive Director, Centro 21, San Antonio, Texas 1 April 1980.

⁷⁰City of San Antonio, UDAG Application #B-78-AA 48-0500 (1978), p. 13.

CHAPTER V

SUMMARY AND RECOMMENDATIONS

Direct and Indirect Benefits

An analysis of the development and revitalization efforts in the downtown area must ask: what are the benefits and who are the beneficiaries of the public/private joint venture in San Antonio? This question is important in light of the fact that federal funds were used, as well as local general revenue money. The UDAG program mandates, among other things, that persons of low-and moderate-income must be beneficiaries of the results when UDAG funds are used to bring about development projects.

In general, benefits, both direct and indirect, will be realized through the public/private collaboration. The most obvious direct benefits will be realized primarily by the private sector - the developer, the Hyatt Corporation, and the investment partnership which includes the Mexican American Unity Council. Mainly, the direct benefits will be in the form of profits derived as a result of the day-to-day operations of the hotel-commercial complex.

One critical component of the development of the hotel-commercial complex has been the involvement of the

Chicano community which makes up approximately 54% of the population in this rapidly growing metropolitan area. For a number of years, members of the private development team for the hotel-commercial complex have worked closely with the Mexican American Unity Council (MAUC), a Community Development Corporation in San Antonio funded by the Community Services Administration and the Ford Foundation. The Mexican American Unity Council and the development team have entered into an agreement whereby they will jointly develop an employment program for low-and moderate-income persons and members of minority communities in San Antonio both during construction and, upon completion, for the operation of the hotel. MAUC will serve as the agent for implementing the employment program for both the development and the hotel management. It is estimated that of the 450 permanent jobs to be created through hotel operations, as many as 400 at all levels of the hotel operations will be directed to minority individuals. The City will assist in this process by making available CETA funds for the required employment training.

The development team has agreed to set aside 50% of the commercial retail space to be leased in the shopping/entertainment mall by minority entrepreneurs. MAUC and other interested groups will play a role in identifying potential

The direct financial benefits to the City can be broken down as follows:

Estimated value of property to be added to the tax rolls:	\$ 33,583,760
Estimated value of property to be deleted from tax rolls:	3,127,505
Net increase in value of property to be added to tax rolls:	30,456,255
Estimated annual property tax to be generated by project:	276,562
Estimated loss of property tax revenues as a result of project:	25,755
Net increase in property tax revenues (annually):	250,807
Other increases in tax revenues (sales, income, etc.):	410,000 ⁷¹

Under terms of the lease agreement, the City will lease the property for 55 years with two successive optional periods of 10 years each. Additionally, the lease rates ensure that the City will receive a rental fee of \$500.00 per month for thirty months or until Lessee obtains a Certificate of Occupancy. For the first five years following the Certificate of Occupancy, the lease rate will be 10% of the Net. After five years following the issuance of the Certificate of Occupancy, the Lessee agreed to pay rental of 1 1/2% of annual gross receipts per year. The lease payments are tied to the gross revenues of the hotel, and thus, as revenues increase due to tourist-related expenditures and the effect of inflation, the payments to the City will increase.

City government leaders of the City of San Antonio and spokesmen for the business community believe that the indirect benefits of the proposed project and subsequent revitalization efforts and positive impact of UDAG funding fall into several broad categories: employment opportunities for low-and moderate-income individuals; retail/commercial opportunity for minority entrepreneurs; an increased ability to optimize the existing \$20,000,000 Convention facility by the addition of over 600 first class hotel rooms; an increase in the center city tax base; and an improved environment for continued private sector re-investment with a reversal of the existing trend of economic decline and out-migration. These may all be summed up as indirect benefits to the public as a whole.

The Alamo Area Council of Governments developed a summary of multiplied economic impacts of estimated direct expenditures on construction of the Riverwalk, the Hotel, commercial revitalization and the Broadway parking structure using output multiplier values contained in the AACOG Input-Output Model dated September 21, 1977. Construction activities totaling \$39,549,595 are expected to generate a total economic activity impact of \$96,927,493. Hotel operations, based on the assumption that additional hotel rooms will result in an increase of visitors and visitor expenditures

proportional to current visitor expenditures per hotel room, will generate \$61,060,000 of economy-wide activity and 521 economy-wide permanent employees.⁷²

Other Development Support Mechanisms

Development in general, and downtown revitalization in particular, must continually look for strategies that will produce optimum results. As noted previously, there are revitalization efforts underway in downtown areas throughout the United States. Cities have any number of strategies at their disposal, and employ them as they see fit in their community. The City of San Antonio has utilized several combinations of them and will continue to do so in the future.

One strategy that has been used to achieve desired outcomes is government intervention in the private sector. Gail Schwartz of the Academy for Contemporary Problems suggests that there are two broad categories of intervention: "Reduction of the costs of one or more production factors and reduction of market frictions".⁷³

The City of San Antonio, to a large extent has intervened in reducing costs by becoming a development partner in redevelopment efforts. The tools used by government are land assembly and writedowns, provision of infrastructure, and financing.

Tax incentives are a second major way in which cities can reduce the costs of doing business. A major incentive available through the federal government is the historic rehabilitation provision of the Revenue Act of 1978. As far as downtown areas are concerned, the Revenue Act of 1978 provides a potent incentive for the re-use of older non-residential buildings in downtown. The degree of incentive allowed by the 1978 Revenue Act has been illustrated by Richard Coons, C.P.A., writing in Downtown Implementation Guide. Coons uses an example of a 20-year old, \$200,000 building, for which a \$300,000 rehabilitation plan has been devised. Coons makes a basic assumption:

We are able to purchase the \$200,000 building for \$50,000 cash down, and finance the balance of \$150,000. We also are able to finance 100 percent of the improvement costs. The total building cost, therefore is \$500,000. Let's also assume that the building has a remaining useful life of 25 years for depreciation purposes and that there is a 50 percent tax rate.⁷⁴

Computing the acquisition and rehabilitation costs of the building, along with the 10 percent tax credit on the rehab costs provided by the Revenue Act, plus 50 percent tax rate on depreciation, Coons arrives at the following figures:

Building acquisition cost	\$200,000
Rehabilitation cost	\$300,000
Total	\$500,000
Building purchase cash down	\$ 50,000
Balance of purchase price	\$150,000
Improvements	\$300,000
Total	\$500,000
Annual building depreciation (25 years)	\$ 20,000

Cash generated:	
Investment tax credit (10 percent of \$300,000)	\$ 30,000
Tax effect of depreciation (50 percent of \$20,000)	\$ 10,000
Total cash generated	\$ 40,000

Looking at the above example, it should be noted that at the end of the first year, based upon the tax benefits from the investment tax credit and the depreciation of the building, there has been \$40,000 in cash generated from tax savings. This is equal to 80 percent of the cash that was originally paid down on the purchase of the property.

Government can also reduce market frictions by increasing the quantity of information, the quality of the information, and reducing the time required for administrative processes.⁷⁵ Marketing and promotion are strong elements of any economic development program. Cities are just beginning to recognize the value of such efforts. For example, San Antonio's USA Program (United San Antonio is a new group organized to support Economic Development) has budgeted some \$800,000 for an advertising campaign in the Wall Street Journal. As a result of this promotion, there have been dozens of inquiries from reputable firms interested in relocating in San Antonio, particularly in the downtown area.

As far as reducing time required for administrative processes is concerned, local government may revise regulations that inhibit expansion, such as zoning or permits. As Schwartz explains:

One of the reasons that southern and western cities appear attractive to firms is that they do not have a heavy administrative overlay, and if they have the rules in the books, they manage to tailor them to fit the needs of their "client".⁷⁶

Tailoring the rules provides an atmosphere which appears to the private sector as positive and supportive since it has little patience with bureaucratic processes.

One method of financing, and an often-used tool for redevelopment, is Tax Increment Financing (TIF). On June 16, 1979, Governor Clements signed TIF enabling legislation allowing Texas cities to establish Tax Increment Financing. The definition of TIF prepared by the International City Management Association and used by many is as follows:

Tax increment financing is a method for financing urban renewal and redevelopment activities and is tied to the property tax system. The technique uses the increase in property tax revenue produced by a redevelopment project to finance the necessary public investment in that project area. It works in the following way: When a redevelopment plan is adopted, the existing total value of all the taxable property in the project area is determined by the local tax assessing officer. Once this baseline is established, all future property tax revenues above the base generated by the redevelopment effort which would be collected by all taxing bodies having jurisdiction in the project area are assigned to the redevelopment agency. The agency then uses these funds to finance directly public improvements in the area or to repay bonds or other indebtedness incurred to finance the public investment. Depending on the state enabling legislation, those bonds may be either general obligation or revenue bonds.⁷⁷

Thus, the increase in property values is taxed to finance the cost of public improvements which help contribute to that increase; e.g. a city builds a parking structure to serve a downtown office complex, and the increase in the office complex property values is taxed to pay off notes and bonds issued to pay for the parking structure. TIF can be used for downtowns in small as well as large cities.

The fact that in some states, including Texas, a referendum is not required in order to establish the Tax Increment Financing mechanism, is the major criticism of this financing concept. However, those in favor of this financing tool argue that the additional tax money produced through redevelopment projects offsets the deferred tax and the net result to the whole city is economic revitalization which will benefit all citizens. In short, the temporary capture of the increased tax revenue at the site of the improvement yields increased long term revenues without spreading the tax throughout the whole system.

An implementation technique for getting downtown projects planned, started, and completed is the Special Benefit Assessment District. To date only a few dozen districts are at work and the scope and variety of that work is evolving toward potentially more power and more effectiveness. This is a financing mechanism which may be used by a

special district or by a municipality. It has been the most frequently utilized method of financing, at least partially, for pedestrian walls and transitways. Those who benefit the most from the improvement are the adjacent properties. Property owners, therefore, are assessed a special tax based on front footage or a combination of front footage, square footage and assessed value. In Minneapolis, for example, businesses in the "benefit area" having frontage on the mall pay more, and those in the remainder of the area pay according to proximity and expected benefit. As a downtown management tool, the district may well be the unifying, power-orienting element that enables downtown interests to solve problems together. A number of districts have shown accomplishments in the physical sense. But a rigorous evaluation of how effectively districts are working out for downtowns cannot yet be made.⁷⁸ However, allowing for that, an analysis prepared by one Downtown Research and Development Center suggests that this is very likely the most comprehensive and potentially effective mechanism yet put together. However, in order to establish this mechanism in San Antonio, state enabling legislation is required because none exists at the present time in Texas. The one historical example of the use of this tool in San Antonio was probably not legal. The original

improvements to the River Walk area in the 1930's used federal funds and a local contribution composed of a loan secured by a special tax levied against properties with riverbend frontage. The measure was instituted through a referendum voted on by property owners in the special area.

The recommendations made in this section of this report are specific ones that have had success in different urban areas. They are often-used tools for central city revitalization; however, there are those, such as Harvard's John F. Kain, who feel that key to central city revitalization is the alleviation of problems of race and poverty. He points out: "Racial discrimination is the most serious and intractable condition contributing to urban distress. The median family incomes of black Americans are only about 60 percent as large as those of white Americans".⁷⁹

Goals and objectives of central city revitalization must take into consideration how to deal with this problem of discrimination. Benefits derived must be beneficial to all citizens; not just a well organized coalition of businessmen. As San Antonio goes forth into the 1980's, it has the potential for becoming an excellent case study of how well a city's diverse groups came together to expand and diversify its economy. Revitalization efforts should aim not only at the arrest of physical deterioration but also

should attack disparities in education, housing, and job opportunities with career advancement potential. The revitalization efforts of San Antonio should attempt to address these disparities as we go into a new decade. It is up to city government leaders and all of us to see that problems of equity are addressed and solutions adopted which bring about significant results.

CHAPTER V FOOTNOTES

⁷¹City of San Antonio, UDAG Application, p. 17.

⁷²Alamo Area Council of Governments, AACOG Input-Output Model (San Antonio: Alamo Area Council of Governments 1977), Economic Impact Analysis of UDAG.

⁷³Gail Schwartz, "The Scope for Local Government Action," in Benjamin Chinitz (ed.) Central City Economic Development (Cambridge Massachusetts: The MIT Press, 1979), p. 165.

⁷⁴Richard Coons, C.P.A., "How the Revenue Act of 1978 Works for Downtown," in Laurence A. Alexander (ed.) Downtown Implementation Guide (New York: Downtown Research & Development Center 1979), p. 3.

⁷⁵Schwartz (1979), p. 167.

⁷⁶Ibid., p. 168.

⁷⁷Downtown Research & Development Center, "Using Tax Increment Financing," in Downtown Implementation Guide Laurence A. Alexander (ed.) (New York: Downtown Research & Development Center 1979), p.1.

⁷⁸Ibid.

⁷⁹John F. Kain, "Race and Poverty: Keys to Central City Revitalization," in Herrington J. Bryce (ed.) Revitalizing Cities (Boston: D.C. Heath and Company 1979), p. 106.

SAMPLE OF ROUND I PROJECTS

APPENDIX A

Atlanta, Georgia, has received an Action Grant for a commercial project to expand a baking company facility, and construct an office building for company administrative workers and for lease to tenants. Relocating the administrative part of the company will leave room for expansion of the bakery's production facilities. The project will allow the company to expand in the city rather than relocating outside of Atlanta. Action Grant funds: 1.7 million for land acquisition, site improvements and clearance. Private sector funds: \$10 million for construction and capital equipment. New permanent jobs created: 517. Existing jobs retained: 183.

Bridgeport, Connecticut, has been awarded an Action Grant to provide rebates and grants to low-income homeowners for rehabilitation. The city will contract with local banking institutions which will commit home improvement loan money in the West End area over a three-year period. Action Grant funds: \$696,000 to be used as grants and rebates of up to 20 percent or \$2,000 on costs for rehabilitation. Private funds: \$2.6 million for construction loans. Other Federal funds: \$171,440 in Community Development Block Grant money to be used for administrative costs. Construction jobs: 96.

Reading, Pennsylvania, has received an Action Grant for construction of a greatly needed storm sewer system that will eliminate a flood hazard problem in an industrial area. Action Grant funds: \$4.8 million for site improvements. Private sector commitment: \$4.075 million as permanent financing and for capital equipment. Local government funding: \$1.8 million. New permanent jobs created: 252 Existing jobs retained: 4.

SAMPLE OF ROUND II PROJECTS

APPENDIX B

Denver, Colorado, has received an Action Grant for a comprehensive neighborhood revitalization project in the city's oldest neighborhood and the cultural center of its Hispanic community. This project will include some 1900 units of housing, neighborhood commercial revitalization and public improvements. Housing construction will include a new 790 unit moderate income project, a new 150 unit elderly project and some 965 units of substantially rehabilitated housing, most of which will utilize a unique construction loan program involving the city, a local savings and loan bank and the State Housing Finance Agency. Commercial redevelopment will include a new shopping center developed by a joint partnership including a local neighborhood organization. Public improvements will include "street-scaping" and improved lighting with funds from other Federal and local sources. This will spur other activities, including a Colorado Historical Society grant for historic preservation in part of Denver's original barrio. Action Grant funds: \$13.5 million will be used for site acquisition, relocation assistance and site preparation as well as a unique revolving fund for rehab construction loans. Private sector commitment: \$42 million for new housing construction, rehab-

ilitation and commercial development. Some \$10.2 million in public funds have been "targeted" by the city to assist in this model neighborhood revitalization program. Construction jobs: 1,245.

Trenton, New Jersey, has received an Action Grant to help rehabilitate five historic structures, now representing a blighting influence in the State House Historic District, into office and residential space. Action Grant funds: \$470,000 to acquire the structures and for relocation purposes. Private commitment: \$305,000. New permanent jobs: 55.

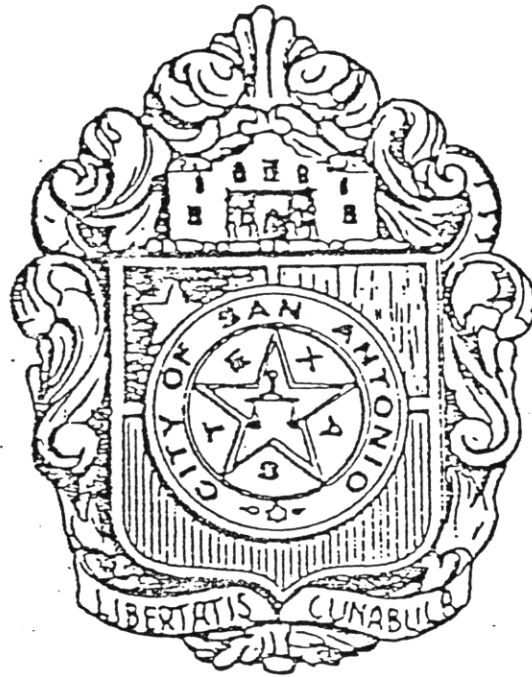
STATEMENT OF SOURCE
AND STATUS OF FUNDS

APPENDIX C

CITY OF SAN ANTONIO
URBAN DEVELOPMENT ACTION GRANT FUND
ALAMO PLAZA/PASEO DEL RIO LINKAGE PROJECT:
UDAG NO. B-78-AA-48-0500
STATEMENT OF SOURCE AND STATUS OF FUNDS
FOR THE PERIOD SEPTEMBER 7, 1978 (INCEPTION)
THROUGH JUNE 30, 1979

Total Project Funds Allocated To Recipient	\$6,500,000
Less: Unobligated Funds Reprogrammed	<u>-0-</u>
Total Adjusted Project Resources	6,500,000
Less: Total Project Funds Drawn Down By Recipient	<u>4,848,711</u>
Funds Still Available From H.U.D.	<u>\$1,651,289</u>
 Total Funds Drawn Down By Recipient	 \$4,848,711
Project Income Applicable To Project	<u>-0-</u>
Total Project Funds Received	4,848,711
Funds Applied To Project	<u>4,848,711</u>
Total Project Costs In Excess Of Funds Received	<u>\$ -0-</u>
Total Project Funds Available For Disposition	<u>\$1,651,289</u>

PROJECT DESCRIPTION



PROJECT DESCRIPTION
URBAN DEVELOPMENT ACTION GRANT
CITY OF SAN ANTONIO, TEXAS

FACT SHEET

Project Description

A public/private joint venture development effort that includes a luxury hotel, a Riverwalk Linkage between the San Antonio River and the famed "Alamo Plaza", a five-story 532-car parking facility and a variety of other general area public improvements including landscaping, lighting, sidewalks and street work.

Location

Downtown San Antonio, Texas in an area bordered by Broadway to the east, Crockett Street to the south, Presa Street to the west and College Street to the north.

Projected Cost

- . Private Investment: \$35,500,000
- . Public Investment: \$8,000,000 (made possible by a Federal Government Urban Development Action Grant)

Hotel Facility Description

- . Name: Hyatt Regency San Antonio Hotel
- . Operator: Hyatt Hotel Corporation
- . Concept: A 641-room luxury convention hotel located on the bank of the San Antonio River in a way that arranges the rooms in the form of a large "C" with a series of gardens and platforms terraced up from the Riverwalk. The open end of the "C" is closed on the river side with 16-story high glass wall to provide terraces with year-round garden environment. The lowest level of this space is part of the Riverwalk Linkage to Alamo Plaza and will serve as a mall providing sidewalk dining, entertainment and shopping. Overall features include extensive landscaping, a view of the Alamo from most areas of the hotel and superior meeting and banquet facilities. Entrances to the hotel will be from both Broadway and Crockett Streets as well as from the Riverwalk.

Convention
Facilities:

A main 12,000-square foot ballroom, divisible into four separate rooms to accomodate groups of 1,000 to 1,200. Five meeting and banquet rooms totaling 6,500 square feet; a prefunction reception area of approximately 5,000 square feet; and eight other meeting and banquet rooms totaling 3,600 square feet designed to accommodate groups of 25 to 200.

Food and Beverage
Facilities:

A gourmet restaurant with seating for 125; a coffee shop with seating for 200; and an atrium bar designed to serve 80 people.

Owners

An investment partnership made up of the following:

- . Hardin Investment Associates of Atlanta (General Partner)
- . Mr. Belton K. Johnson of San Antonio
- . The Mexican American Unity Council of San Antonio
- . AFCO Realty Associates of Atlanta

Developer

The Ira H. Hardin Company of Atlanta.

General Contractor

Hardin International, Inc. of Atlanta.

Architects

- . Ford, Powell and Carson, Incorporated - Architects & Planners of San Anton
- . Thompson, Ventulett, Stainback & Associates, Incorporated of Atlanta

Permanent Financing

The Metropolitan Life Insurance Company

Construction Financing

- . The National Bank of Commerce (San Antonio)
- . The Frost Bank (San Antonio)
- . First City Bank (Houston)

E. HOUSTON STREET

SE STREET

NEW PARKING
GARAGE

HYATT REGENCY
HOTEL

Trs ALA

CROCKETT STREET

PRESA STREET

BROADWAY

ALAMO STREET

E. COMMERCE STREET

GARAGE

MARKET STREET



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