A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:

Mission or AID/W Office USAID/Jamaica
(ES# 89-3)

B. Was Evaluation Scheduled In Current FY Annual Evaluation Plan?
Yes [X] Slipped [ ] Ad Hoc [ ]
Evaluation Plan Submission Date: FY 89 Q 3

C. Evaluation Timing
Interim [X] Final [ ]
Ex Post [ ] Other [ ]

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
532-0120	Inner Kingston Development	FY86	09/89	10,000	8,369
532-W-055		FY86	09/89	5,000	5,000

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director

Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1. Prepare action memo to extend Project PACD from Sept. 30, 1989 to Sept. 29, 1991	R.Dubinsky RHUDO	June 15 1989
2. Extend, at no cost to the US Government, the Urban Institute Management and Monitoring Contract from Sept. 30, 1989 to Dec. 31, 1990	L.Kelly Cont. Off	Sept.15 1989
3. KRC to (1) prepare a long-term strategic plan by August 1, 1989 acceptable in form and substance to AID, (2) approve modification to the Cooperative Agreement to incorporate the key features of the AID-approved KRC strategic plan, and (3) secure, in form and substance acceptable to AID, an additional local capital contribution of J$3.8 million	R.Dubinsky RHUDO M.Seymour KRC	Nov.15 1989
4. AID and KRC renegotiate KRC operations for FY89 and 90 and KRC submit plan for funding KRC operations in FY 89-91, satisfactory in form and substance to AID	R.Dubinsky RHUDO M.Seymour KRC	Oct.15 1989
5. AID renegotiate the project Loan and Grant Agreement with UDC so that the outputs reflect available financial resources. Also, renegotiate UDC's private commercial space commitment	R.Dubinsky RHUDO CWoodstock UDC	Nov.15 1989

Attach extra sheet(s) if necessary

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) (Day) (Year)

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name Typed:	Robert Dubinsky	Morin Seymour	Ruby Baker	William R. Joslin
Signature	Robert Dubinsky	Clinton Woodstock		
Date	July 25, 1989			

ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

The Inner Kingston Development Project aims to improve physical conditions and create employment in Inner Kingston (i.e. downtown Kingston), a seriously deteriorated urban area. The project also intends to trigger public and private sector investment to help restore the area as a center for economic activity and job creation. The project is being implemented by the Kingston Restoration Company (KRC), a private development company, and the Urban Development Corporation (UDC), a Government of Jamaica (GOJ) parastatal development institution. This mid-term evaluation (7/30/86-2/17/89) was conducted by a contract team based on project document reviews, interviews and site visits. The purpose was to provide an interim assessment focusing on the performance and potential of KRC and the role of UDC. The evaluation compares actual performance against original project objectives, identifies critical elements for the future success of KRC and UDC and discusses options for the future role of KRC. The major findings and conclusions of the evaluation are:

- The project is a laudable example of redevelopment of a troubled inner city through a public/private partnership
- The original time horizon of 39 months for completing the project was unrealistic; a two-year time extension to September 1991 is recommended
- KRC has not yet overcome investor reluctance to risk funds in Inner Kingston; planned J$9 million from local sources have not yet materialized
- KRC has not yet sufficiently internalized its corporate, financial and strategic planning functions
- KRC will decapitalize itself if reflows continue to be used to pay operating expenses rather than utilized for reinvestment as planned
- KRC cannot carry out further development based on rental returns alone. Sale of some properties and/or further equity infusion is necessary
- KRC operations have been constrained by the absence of traditional municipal government powers that in the U.S. provide the tools for development.
- Due to the overload of the UDC agenda and the implicitly low GOJ priority of Inner Kingston redevelopment, UDC projects are seriously behind schedule

The evaluators noted the following "lessons" compared with U.S. experience:

- There is a lack of GOJ involvement in Inner Kingston redevelopment, thereby putting much pressure on the public/private partnership of UDC/KRC
- This kind of blighted area generally gets rebuilt only when there are clear tax or other financial incentives to reduce the perceived investment risks.
- KRC has not had access to flexible funding from foundations and corporations
- KRC may be a feasible model for developing countries with similar needs, sympathetic governments, private investors and developers and relatively sophisticated financial institutions and instruments.

COSTS

I. Evaluation Costs

1. Evaluation Team

Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Sally Merrill	Abt Associates	64	$49,875	PD&S
Jim Wallace	"			
Robert Stephens	"			
Graham Finney	Private Consultant			
Steve Dragos	Private Consultant			

J. Mission/Office Professional Staff Person-Days (Estimate) 30

K. Borrower/Grantee Professional Staff Person-Days (Estimate) 10

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:	Date This Summary Prepared:	Title And Date Of Full Evaluation Report:
Jamaica	July 10, 1989	Evaluation of the Inner Kingston Development Project, February 1989

1. Purpose of Activity

The purpose of the Inner Kingston Development Project is to provide additional workspace in Inner Kingston, Jamaica suitable for the expansion of light manufacturing and mixed commercial activity, and to help restore Inner Kingston as a center for economic activity and job creation. The area suffers from severe problems of poverty, crime and unemployment, a history of violent political strife, and massive residential and commercial depopulation. The project seeks to address some of these constraints through a public/private partnership. Implementing agencies are the Kingston Restoration Company (KRC), a private public purpose development company, and the Urban Development Corporation (UDC), a parastatal. KRC is undertaking the renovation of dilapidated and abandoned buildings for light industrial and commercial use, administers a Restoration Grants Program to support improvement of small business structures, and a Community Development Grants Program which supports community organizations and the provision of social services. The UDC is undertaking infrastructure improvements including a major sewerage collector and related pumps and branch lines, a transportation center, traffic signals and localized water, sewer, street and sidewalk improvements.

2. Purpose of the Evaluation and Methodology

This mid-term evaluation is intended to inform USAID, KRC and UDC about the extent of Inner Kingston job generation and improvement resulting from the project, and to provide a framework for planning project completion. Evaluation questions centered around

- o project status and achievements
- o future role for KRC and UDC in downtown development
- o allocation and adequacy of project financing
- o KRC as a model development entity

The evaluation team reviewed project documentation and program reports and interviewed KRC and UDC staff members, AID staff and consultants as well as a number of key persons in real estate, development, finance and the Government of Jamaica.

3. Major Findings and Conclusions

a) KRC: KRC has operated in an extremely difficult environment where private sector initiatives had been essentially nonexistent, with cumulative fears regarding crime and unrest, and the resident labor force relatively unskilled. The Inner Kingston area was essentially abandoned by both the private and governmental sectors on a scale that can lead to continual disinvestment. Set in this context, KRC's accomplishments are indeed exemplary, especially within the two-year period of USAID supported activity, an extremely short period in the face of the broad needs for redevelopment. KRC has worked well within the community, has brought the beginning of economic life back into the area and has helped facilitate substantial additional employment, including jobs for local residents. KRC deserves credit for its achievements in establishing a visible and positive beach head against further blight and in developing an innovative public/private partnership that is somewhat unique in the developing world. KRC has responded very flexibly to the realities of its operating environment by both altering its goals and strategies, and stepping in to fill unmet needs. Specifically, KRC has:

- Rehabilitated about 45 percent of the planned square feet of manufacturing space with an additional 8 percent expected to be finished by the September '89 PACD. The original time horizon was unrealistic for this portion of the project, as

comparison with similar projects in the United States suggests that a decade or more is a more realistic period for achievement of this type of revitalization.

- Reassessed its goal for rehabilitation of private commercial space. The demand for downtown commercial space appears lower than was expected, renovation costs higher, and projected annual returns are not competitive with alternative investments. KRC has been innovative in modifying its commercial rehabilitation program and developing of the King Street Restoration Plan to match the realities of its operating environment. KRC has also turned its attention rehabilitation of publicly owned buildings with the goal of transferring them to private control. As of June 1989, three key properties have been transferred in this manner.

- Completed roughly half of its Restoration Grant Program. Demand has been high; and all funds originally budgeted will be expended prior to September 1989, and KRC is expected to request a reallocation of USAID funds to this program.

- Completed about half of its community development grants, with the remainder expected to be completed during 1989. Evidence is that this component has paid rich dividends as KRC has garnered support across the political spectrum and is perceived as making a positive contribution to Inner Kingston revitalization.

- Achieved a significant increase in employment in Inner Kingston, with a significant share to area residents. 799 permanent jobs, of which an estimated 374 are new, have been created in the renovated manufacturing complexes. In addition, rehabilitation itself has generated approximately 127 person years of construction employment.

The project, however, faces a number of internal and external constraints. Internal problems include project cost overruns (though in-line with Jamaica private sector experience), higher than expected operating costs, failure to raise sufficient local capital, and slower than predicted reflows. On the external side, KRC has operated essentially without the traditional municipal and central government functions that underpin urban redevelopment, as well as uncertainty regarding the future demand for commercial space in downtown Kingston. However, rental experience has been better than predicted; average rates of return on investments have been higher than originally projected; interest in downtown investment appears to be increasing and KRC has established itself as a competent and credible development organization.

b) UDC Of the specific project elements set out for UDC, the Rural Transportation Center is expected to be accomplished by the September '89 PACD. The Urban Transportation Center and the Harbour Street Sewer are about two years behind schedule, and future counterpart funding is uncertain. Infrastructure improvements in specific development areas have not been undertaken, nor has a land management and information system for Inner Kingston been established. The most critical element would seem to be the Harbour Street sewer system improvements, although the othr elements, particularly those related to the whole set of market and transportation improvements in West Kingston, are part of the whole process of developing a psychology of improvement and the physical evidence of a coordinated set of actions in that area that should add to investor confidence in the industrial and commercial developments which KRC is undertaking.

The evaluation concludes that delays in UDC's portion of the project may be attributable largely to the work overload of the organization resulting in lower than anticipated priority for this project, difficulties in learning how to comply with USAID requirements and, to a lesser extent, to Hurricane Gilbert in September 1988.

c) Future Role for KRC and UDC

KRC: In the short run, KRC needs to get its financial house in order through securing local funding and beginning a process of long term strategic planning. In the long run, the evaluators see KRC as acting as a strategic development catalyst for the downtown area. KRC commitment to community involvement and local employment and training should remain a very visible and important aspect of the program.

UDC: Beyond completion of the project elements originally undertaken, the role for UDC in further redevelopment of Inner Kingston lies in two areas; (i) completing its related ans supporting work of development of the Kingston waterfront, which is almost entirely held by the UDC, and (ii) more direct support of KRC activities in terms of acquisitions of parcels for redevelopment.

d) KRC as a Model Development Entity

The evaluation discusses a number of KRC/Inner Kingston characteristics which might be regarded as conditions for success in a project which aims to create jobs and rehabilitate infrastructure through a private sector organization, and the extent to which these conditions might be expected to occur in other Jamaican communities and other developing countries. In summary, the conditions are:

- a clear need for rehabilitation or redevelopment
- a growing economy or one which is giving strong signs of recovery
- underutilized main line infrastructure capacity
- a strong private sector
- a viable small enterprise sector looking for space to expand
- a small enterprise sector able to employ a low skilled labor force
- financial institutions with long term funds which are prepared to take higher than usual risks
- fairly sophisticated capital markets
- a number of private developers, some quite large, and
- a government prepared to work with the private sector to perform public functions

4. Principal Recommendations

a. AID should extend the Project Assistance Completion Date by two years.
b. KRC should seek local, national and international sources of support, including the GOJ, for the Community Development Outreach Program.
c. The KRC Executive Director and the Board of Directors should commit themselves to raising the required contributions from local firms.
d. In order to capitalize further redevelopment operations, KRC should identify the most appropriate of its current properties either for further mortgaging, to the extent servicable by net cash flows, or outright sale.
e. KRC should seek further funding, from local investors and businesses, the GOJ and USAID for expanding its scale of activities.
f. KRC should continue to focus its efforts in the original target area to maximize impact and the likelihood of internalizing the resultant benefits.
g. KRC should hire a senior, experienced financial planner/deputy director to take on critical functions
h. KRC and USAID should seek out the most feasible forms of achieving support which government must provide; including enforcement of zoning regulations, comprehensive planning, compulsory land acquisition, clearance of derelict buildings and tax and other investment incentives.
i. KRC should seek the financial and other support necessary to play a catalytic role in the planning and development of Inner Kingston.
j. UDC should develop a strategic plan for the Kingston Waterfront in conjunction with KRC.
k. The UDC Executive Director should be approached to assure that the AID project elements are given adequate priority and management attention.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Full Evaluation Report

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

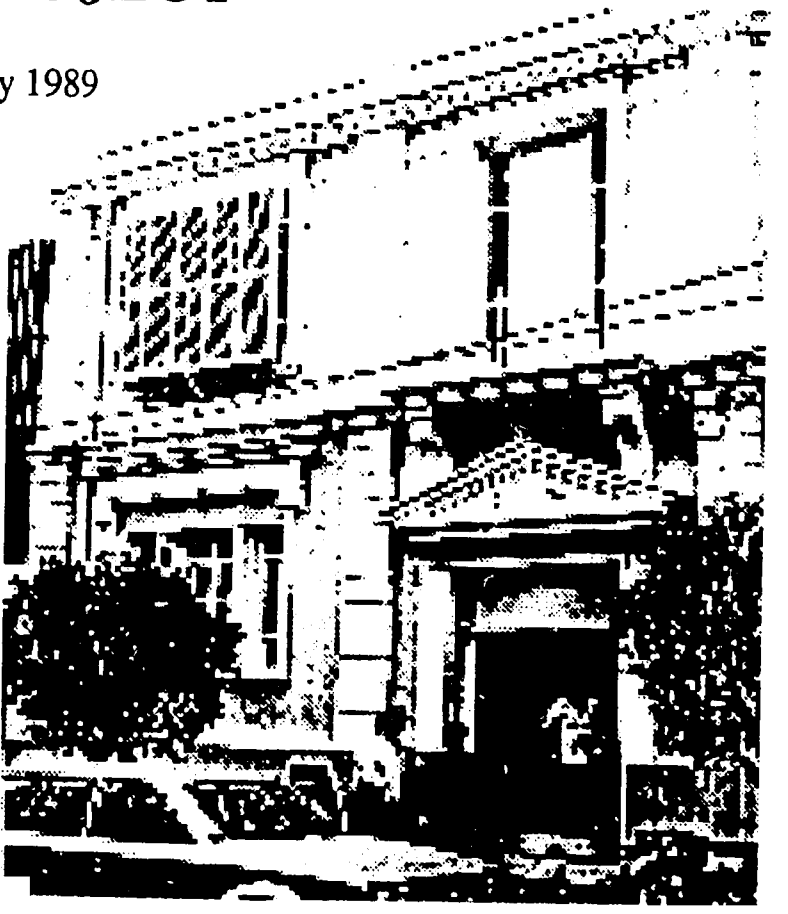
Overall, the report provided a good summary of the status of the project and presented a number of useful recommendations. The use of an evaluation team with a diverse set of skills meant that the report could comment on a wide range of economic, development and social issues and problems that the project has encountered or will face in the future. The comments on the future opportunities for Inner Kingston were especially interesting. While strong on qualitative assessments, more quantitative analysis of downtown trends and project impacts would have been useful.

XD-ABA-092-A

EVALUATION OF THE INNER KINGSTON DEVELOPMENT PROJECT

Abt Associates Inc.

February 1989



XD-AAJ-092-A

Abt Associates Inc.
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Report No. 88-6-003-D

EVALUATION OF THE INNER KINGSTON DEVELOPMENT PROJECT (532-0120, 532-W-055)

February 17, 1988

Prepared for:

USAID/CARIB/RHUDO
6B Oxford Road
Kingston 5, Jamaica

Evaluation Team:

Sally R. Merrill
James E. Wallace
Harry Garnett
Robert Stephens
Stephen Dragos
Graham Finney

An Equal Opportunity Employer

PROJECT IDENTIFICATION SHEET

1. Country: Jamaica

2. Project Title: Inner Kingston Development Project

3. Project Number: 532-0120, 532-W-055

4. Project Dates:

   a. First Project Agreement: 30 July 1986
   b. Final Obligation Date: FY89
   c. Most recent Project Assistance Completion Date (PACD): 30 September 1989

5. Project Funding: (amounts obligated to date in dollars or dollar equivalents from the following sources)

a.	A.I.D. Bilateral Funding (grant and/or loan)	US $15 million
b.	Other Major Donors	None
c.	Host Country Counterpart Funds and Reflows	US $10 million
	Total	US $25 million

6. Mode of Implementation: Kingston Restoration Company Ltd., (KRC); Urban Development Corporation (UDC).

7. Project Designers: USAID/CARIB; Urban Institute

8. Responsible Mission Officials:

   a. Mission Director: William R. Joslin
   b. Project Officer: Robert Dubinsky

9. Previous Evaluations: None

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EVALUATION OF THE INNER KINGSTON DEVELOPMENT PROJECT
(532-0120, 532-W-055)

1.0 EXECUTIVE SUMMARY

Name of Mission: USAID Jamaica, RHUDO/CAR

Purpose of the Project

The purpose of the Inner Kingston Redevelopment Project is to provide additional work space in Inner Kingston, Jamaica suitable for the expansion of light manufacturing and mixed commercial activity, and to help restore Inner Kingston as a center for economic activity and job creation.

Purpose of the Evaluation and Methodology

This evaluation is intended to provide an interim assessment of the Inner Kingston Development Project, focusing especially on the performance and potential of the Kingston Restoration Corporation, Limited (KRC) and also reviewing the role of the Urban Development Corporation (UDC). The evaluation compares actual performance against original project objectives and plans--in terms of development projects completed, employment generated, expenditures of funds--and reviews the state of planning for additional resources and future operations, within the economically and socially difficult context of Inner Kingston.

To make these comparisons, an evaluation team of consultants with extensive experience in inner city redevelopment reviewed project documentation and progress reports, obtained additional documentation from KRC and UDC staff, interviewed KRC and UDC staff and met with a number of key persons in real estate, development, finance and government in Jamaica. Considering the local context and the financial and organizational features found important by the consultants in their previous experience, the consultants identified critical elements for future success of KRC and options for its future role in Inner Kingston.

1.1 Findings and Conclusions: Kingston Restoration Company (KRC)

Project Status and Achievements--KRC

The Inner Kingston Project is a laudable example of redevelopment of a troubled inner city through the partnership of a "public-spirited" private sector company, the Kingston Restoration Company, and a parastatal organization with private sector orientation, the Urban Development Corporation (UDC). KRC's planned-for goals within the Inner Kingston Project include numerous objectives; numerical targets were set for some, such as rehabilitation of manufacturing and commercial space, while others, such as "rekindling the activity of the private sector in Inner Kingston," were not quantified. Furthermore, while the rehabilitation projects are strictly "private" sector in nature and are expected to be remunerative, the community outreach programs reflect the "public" nature of KRCs goals.

The ultimate success of the Inner Kingston Project is to attract spontaneous, non-KRC, private sector investment on a scale that reverses the downward spiral and leads to an increasing rate of revitalization. An evaluation of KRC's goals and achievements, however, must carefully consider the formidable constraints imposed on project execution. Project development and community outreach have been undertaken in an inner city facing severe problems of poverty, crime, and unemployment and with a recent history of violent political strife. Massive residential and commercial depopulation occurred as people and businesses moved to New Kingston and elsewhere; many more left as a consequence of arson and violence during 1976 to 1982. Thus, the downtown area was essentially abandoned by both the private and governmental sectors on a scale that can lead to continual disinvestment. Gutted buildings and deteriorating facades are an all-too-familiar sight amid the once proud architectural heritage. Much of the housing is seriously substandard. In addition, the severe urban blight facing Inner Kingston has been exacerbated by Jamaica's serious economic decline, which began in the 1970s. Real per capita income fell by 28 percent between 1974 and 1985 and unemployment, which was over 25 percent nationwide in 1985, was estimated to be as high as 60 percent in Inner Kingston. Land values and rents in Inner Kingston are extremely depressed as compared with New Kingston and, indeed, private commercial rehabilitation is not even profitable at present.

Exhibits 1 and 2 contrast the blight and the potential of downtown: a gutted structure (one of many seen along Harbour Street and elsewhere) and the special architectural detail seen in one of the Georgian buildings.

Exhibit 1

Gutted Structure in Downtown Kingston

Exhibit 2

Architectural Detail in Downtown Kingston

Set in this context, KRC's accomplishments are, indeed, exemplary, especially within the two-year period of USAID supported activity, an extremely short period in the face of the broad needs for redevelopment. KRC has worked well within the community, has brought the beginning of economic life back into the area, and has provided employment for local residents. KRC deserves credit for its achievements in establishing a visible and positive beach head against further blight and in developing an innovative private/public partnership that is somewhat unique in the developing world.

KRC has taken maximum advantage of Jamaica's relative strengths in financial sophistication and staff skills and experience. Thus, KRC has:

- Breached formidable social and political antagonisms in its community outreach programs for Inner Kingston residents, not by creating new social service programs but by undergirding incipient programs of local religious and charitable organizations;

- Established a positive image in Inner Kingston and the wider community as a capable, non-partisan organization;

- Taken the initiative to fill a void in comprehensive planning for downtown by contracting for and obtaining a detailed King Street Restoration Plan for the improvement of the key commercial and retail axis of King and Harbour Streets;

- Demonstrated its credibility and competence and the appropriateness of private sector involvement through having negotiated a joint venture for the Industrial Center on Harbour Street with one of the largest private companies in Jamaica--Industrial Commercial Development, Ltd.

- Created an organization with a core of dedicated and talented staff and a powerful and well-connected Board of Directors, incorporating in the organization the influence and control of the very interests that must make the commitment to Inner Kingston if it is to be revitalized.

The project paper set forth goals for KRC regarding rehabilitation of manufacturing and commercial space, generation of employment from both new enterprises and construction, and development of community grant programs. At the present time, KRC has:

- Completed about 45 percent of its goal for rehabilitation of manufacturing space (D&G Brewery, Machado, and Knitting Mills); approximately another 8 percent is expected to be completed during 1989, and a number of other projects are in the pipeline or under discussion.

- Reassessed its goal for rehabilitation of private commercial space. The economics of private commercial development are not now favorable; therefore, KRC is also focusing on redevelopment of public properties, much of which will be used for commercial space;

- Completed roughly half of its restoration grant program. Future demand is considered ample, however, especially in conjunction with the King Street Improvement Program;

- Allocated about half of its community development grants, with the remainder expected to be expended during 1989; and

- Achieved an increase in employment in Inner Kingston which is generally in line with the completed rehabilitation of manufacturing space, and does represent significant employment of area residents.

Finally, KRC has responded very flexibly to the realities of its operating environment by both altering its goals and strategies, and stepping in to fill unmet needs. For example, modification of its commercial rehabilitation program and development of the King Street Restoration Plan have already been mentioned. Also, because of its close relationships with local community organizations, KRC was selected to administer a US $475,000 Emergency Relief Program in the aftermath of Hurricane Gilbert in September 1988. This addition to KRC's agenda diverted management energies for approximately four months.

Problems Facing KRC

The major problems facing KRC are financial, including development cost overruns, difficulty in raising sufficient local capital, higher than expected operating costs, and a level of reflows and/or capital infusion currently inadequate to prevent eventual decapitalization. Precisely because KRC is operating in such a challenging environment, it would greatly benefit from an additional senior staff person and enhanced internal financial planning, allowing the executive director additional time to raise funds and plan projects. More specifically, the major internal problems include the following:

- KRC has basically not yet overcome investor reluctance to risk funds in Inner Kingston;

- Contributions of J$9.0 million to KRC from firms represented on the Board of Directors, agreed to in the Cooperating Agreement, have not materialized according to plan. Although some local funds have been raised through debentures, actual capital contributions amount to less than J$200,000.

- Although properties are generating income in excess of operating expenses, recapture of capital is limited to J$4.8 million in debentures held by Jamaican financial institutions. This amounts to US$0.87 million toward planned reflows of US$3.9 million. Suggestions to the Board of Directors regarding a convertible debenture were not met with enthusiasm, indicating that perceptions of future appreciation of properties in Inner Kingston still vary widely. Adequate appreciation is, of course, one of the cornerstones of KRC's strategy;

- KRC will decapitalize itself if reflows continue to be used to pay operating expenses rather than utilized for reinvestment, as planned. Furthermore, it appears that under current market conditions, KRC cannot carry out further development based on rental returns alone. Sale of one or more properties and/or further equity infusion (from USAID, local investors, GOJ, or international foundations) are necessary;

- Because reflows have been slower than planned, reflows available for restoration grants (under the 10 percent agreement) has been less than expected; also, KRC has had difficulty moving toward the agreed-upon arrangement whereby USAID support for operating expenses is supposed to be phased out and replaced with shareholder contributions and development fees; higher than expected operating costs are a substantial drain on project income; rental delinquencies are also a problem;

- KRC has learned from its earliest project and improved its development acumen on subsequent projects. However, assuming substantial debt in Phase I of the Industrial Center demands clear justification from a capital-poor organization;

- KRC has relied on its technical assistance support for corporate, financial, and strategic planning function and has not yet sufficiently internalized this critical function;

- KRC's staff structure does not appear to permit sufficient delegation of activities to appropriate senior staff; in addition to financial planning, attention to project management will become increasingly urgent.

Constraints Faced by KRC

The Inner Kingston Project has operated under a number of serious constraints. As stressed above, economic and social conditions in downtown have been major deterrents not only to private sector involvement but also to

governmental functions. Second, even under more auspicious conditions, the original time frame established for the project was unrealistically short. Also, lack of certain municipal and planning functions in Kingston, which have come to be relied upon in the United States, has exaccerbated this problem. In summary, the following major constraints have impacted current operations and may be even more critical in the future:

- The original time horizon of 39 months for this project was unrealistic. Although it makes sense for USAID to fund specific, time delimited projects, and to monitor progress against specific milestones, the broader economic revitalization objectives implicit in KRC's charter can be expected to take years to establish lasting change and impact. Experience throughout the United States suggests that what has been started here requires at least a ten-year period to consolidate the original goals and induce an ongoing process of development. KRC has required more extended start-up than planned because it was operating without Jamaican examples of previous success in addressing the problems it faced. Although KRC and USAID explicitly recognize that 39 months is insufficient, no long-term timetable has yet been developed;

- GOJ has not clearly assigned responsibility for planning in areas that may have an important bearing on KRC's future plans, including residential development, slum upgrading, waterfront development, and the future of tourism in Kingston;

- KRC has operated essentially without the traditional municipal government functions that in the United States would provide the tools for development--conceptual plans for redevelopment, enforcement of zoning regulations, fallback authority for land assembly in the form of eminent domain, clearance of derelict buildings, tax and other incentives for redevelopment, and infrastructure maintenance and upgrading;

- A general reluctance by Town Planning to act without authority from the Office of the Prime Minister and inaction by the Town and Country Planning Authority regarding zoning policy and planning has led to inadequate compliance with zoning laws in uptown areas where many small and medium businesses are operating illegally in residential areas--thus draining off demand for space downtown.

- The future with regard to the demand for commercial space in downtown is uncertain; also, KRC has had difficulty in locating and/or negotiating terms for additional rehabilitation of manufacturing space, especially within the project area.

- The nature of the "derived" demand for goods produced by KRC's 807 tenants, which depend entirely on orders for assembly of clothing or electronic parts by "end-use" businesses in the United States, is very fragile.

In summary, KRC's activities appear to be making a difference. Its projects are developing a fundamental coherence and complementarity well suited to finally launching the level of private sector activity necessary to keep revitalization alive. Both its "public" and "private" projects have been important in this effort, and both have been launched in the face of considerable obstacles. It is still too early to tell, however, whether a reversal of downtown's decline has began in earnest. KRC should continue its development but meanwhile must address its financial and management problems with some urgency.

1.2 Findings and Conclusions: Urban Development Corporation (UDC)

The role of UDC in the Inner Kingston Project is important for both the short- and long-term success of downtown revitalization. In the short-run, provision of infrastructure and related improvements in the target area are necessary to support KRC's plans for rehabilitation. In the long-run, increased access to downtown provided by the transportation terminal is important for future growth. Furthermore, the transportation terminal, the associated commercial center, and the nearby market development, "anchor" the revitalization of the northwest section of the target area.

Progress is very uneven on the project elements undertaken by UDC under the Loan and Grant Agreement. Given the UDC's demonstrated capacity to accomplish large and ambitious projects throughout the country, this uneven progress apparently stems less from any lack of capability than from an overload in the UDC agenda and the implicitly low priority of the Inner Kingston redevelopment project elements from the perspective of central government.

Accomplishments

UDC progress is in three areas:

1. UDC and KRC have established a joint planning process that includes monthly review meetings and under which

major planning reviews have taken place annually (in September 1986, September 1987 and November 1988--delayed because of hurricane Gilbert);

2. The rural transportation terminal is well under way with completion expected in mid-1989; the design for the urban bus terminal is nearly complete;

3. The design and contracting work on the Harbour Street Sewerage improvements is nearing completion.

Problems

Delays in sewerage work for Harbour Street are now on the critical path for initiation of the Industrial Center venture with ICD, Ltd. and possibly the redevelopment of 38A-40 Harbour Street for industrial and commercial space. Delays in all other project elements, especially the remaining infrastructure work in inner Kingston and the completion of the inter- and intra-urban bus terminal facilities have the effect of communicating lack of public commitment to Inner Kingston revitalization. The land management information system called for in the Cooperative Agreement seems essentially to have been dropped; this is not a crippling omission but forces a larger responsibility on KRC for its planning purposes.

Constraints

The primary constraint faced by UDC in performing its role in the Inner Kingston Project has been an expanding UDC agenda during this first part of the project period and a resulting lack of priority for the project elements taken on by UDC. Hurricane Gilbert contributed to delays at the end of 1988.

1.3 Technical Assistance and USAID Support

Technical assistance has been provided almost entirely to KRC, whose staff and board members uniformly express great appreciation for the expertise and sensitivity of Urban Institute staff and consultant George Karras. The Urban Institute also assisted UDC in conducting a survey of businesses downtown and developing a project schedule reporting system. The technical skills and experience of the consultants have contributed substantially to

augmenting the progress KRC has made to date. Their help also has reduced the resource drain on KRC of the interface with USAID on reporting and contracting requirements.

The interface with USAID to satisfy planning, contracting, and monetary requirements is apparently rather elaborate, however, and in itself a resource-consuming activity. UDC felt that differences in contracting procedures lead to excessive delay in implementation. The Urban Institute has handled much of this interface for KRC.

1.4 Recommendations for KRC and the Inner Kingston Project in the Short Term

The evaluation team developed recommendations regarding KRC strategic planning, project objectives, financial support, and staffing and regarding the UDC role.

We recommend that the KRC begin immediately to devise an action plan and financial strategy for the future. In the first instance this plan should be focused on the period ending September, 1989, the current end date for the project. The next step is to determine what extension of time is required to continue progress toward project goals, utilizing project funds as effectively as possible.

In addition, KRC should begin to devise a strategic plan for its longer term future. At least a ten-year time horizon is considered necessary to effect a lasting impact on Inner Kingston's revitalization. It is crucial to begin defining the revitalization goals and financial strategies as quickly as possible so that project development and fundraising can begin.

Project Objectives

We recommend that the project schedule be extended in order to utilize funds efficiently and complete the most appropriate projects in the pipeline. KRC has requested an extension to September, 1991 and this is an appropriate first step. In the short run, KRC should continue to carry out the original project goals, subject to the modifications in objectives that have occurred during the implementation period. These modifications include both the type of projects being developed and their schedule for completion. Some modifications have been made in the type of space being rehabilitated and

in the relative emphasis placed on community outreach. The commercial investment program, for example, now includes rehabilitation of publicly owned buildings. Also, the amount of USAID funds allocated to community programs has nearly doubled. These modifications are felt to be appropriate.

With regard to the industrial investment program, additional projects must be found if the targeted output is to be met; projects now in the pipeline can fulfill only about two-thirds of the original goal. In aiming for this goal, however, we recommend a conservative and focused strategy for KRC. First, close attention should be paid to the rate of return of the projects being considered. Secondly, future KRC projects should generally remain within or very close to the original target area and be clustered to the greatest extent possible; this will maximize the possibilities for impact through agglomeration effects and for internalizing or capturing resulting appreciation in values that otherwise would be external benefits captured by others. Projects outside the boundaries will take the focus off rebuilding downtown.

Local Financial Support

The second major, immediate task for KRC is to fulfill its obligations with regard to local financing for both operating expenses and capital contributions. The Executive Director must call on the Chairman of the Board to enlist the assistance of the board members in mounting this campaign. Meeting this obligation should be an important part of any future discussions between KRC and USAID with regard to obtaining USAID funds beyond those currently obligated.

Staffing

Finally, we have several short-term recommendations with regard to KRC's staffing. First, a senior financial analyst/deputy director should be hired as quickly as possible. This person will provide immediate support to the Executive Director in preparing financial plans, monitoring, and fundraising. At present, no comprehensive financial modeling tools have been used internally to assist the planning process. The financial planner will need

such tools to evaluate the options available to KRC concerning sale, retention and lease, and alternative financial instruments.

In addition, the Executive Director should delegate as much authority as possible to the senior analyst/deputy director in order to free his time for fundraising and negotiations. Finally, the KRC staff should otherwise be kept as small as possible. Utilization of local and foreign consultants on an as-needed basis rather than augmentation of staff will help control operating costs.

Summary of Short-Term Goals for KRC

In summary, in the short run, KRC faces a demanding set of tasks. It must get its financial house in order by fulfilling its obligations regarding local funds and beginning an earnest process of long-term strategic planning. The addition of a deputy director/senior financial analyst to the staff will assist this effort. In addition, the original targets with regard to rehabilitation and restoration must be completed along with continued attention to community action and development of future program goals.

Urban Development Corporation

Turning to UDC, critical portions of its work have been greatly delayed. The consequences have included delay in specific projects, such as the Industrial Center project, and a general failure to achieve maximum impact on the target area. Thus, UDC should be encouraged to mitigate these effects by completion of its projects as soon as possible.

1.5 Long Run Recommendations for the Inner Kingston Project

Strategic Development Catalyst

Assuming that basic financial and staffing issues are addressed, we strongly recommend that KRC act as the strategic development catalyst for the entire downtown area. Many factors underlie this recommendation, including the broad scope of interests already espoused by KRC's Executive Director and staff, the diversity and strength of the Board of Directors, and the interrelationships in the revitalization process among rehabilitation, restoration, employment generation, and problems of security and social well-being. KRC is

in the most effective position to mobilize private capital and has already established a productive working relationship with the UDC.

The next phase of KRC's strategy for investment in Inner Kingston will require judicious narrowing to a feasible set from a wide range of possibilities. The issues include the availability of appropriate industrial and commercial sites within the target area; the ability to cluster rehabilitation and restoration projects within the original target area; future plans for tourism and links between the Waterfront and Inner Kingston; and the possible introduction of residential development into the process. The latter requires special comment. A widespread feeling exists that residential development is a critical component of Inner Kingston revitalization. Complex issues such as displacement, income mix, and public and private roles must be studied. We question whether KRC should be directly involved in residential development. There is ample opportunity, however, for KRC to undertake strategic planning and again play a catalytic role. Strengthened strategic and financial planning by KRC will be necessary in the future to help sort out the numerous options that will present themselves.

Waterfront Development

We feel that development of the Waterfront and Inner Kingston are inextricably intertwined. A comprehensive and jointly agreed upon plan by KRC and UDC should be developed, maximizing the positive linkages between these areas. A strong case can be made that development of the Waterfront will greatly accelerate revitalization of downtown. This impact will be muted, however, if harmonization of both architectural and economic goals is not realized. Plans for tourism in Kingston are clearly an integral part of this effort. Indeed, decisions with regard to utilization of the historically significant Wray and Nephew building, located near the UDC's waterfront developments, already demand articulation of downtown's role in tourism.

Technical Assistance

KRC will continue to need some level of technical assistance. As mentioned, we recommend transference of the financial planning function to KRC as quickly as possible. The longer-term recommendation is to gradually internalize within KRC nearly all of the current technical assistance role. There

will remain, however, a legitimate role for local and foreign consultants, particularly in project selection and design. This is especially true since the nature of KRC's project is expected to become more complex in the future.

Community Involvement

KRC commitment to community involvement and local employment and training should remain a very visible and important aspect of the program. These activities should be fully supported with local or foreign funds, however, and not dependent upon reflows or drawdown of capital funds.

Future USAID Funding

USAID should begin a serious discussion regarding provision of additional funding for KRC. Three types of programs are at issue. First, we recommend that USAID continue to finance community programs and restoration activities, which are important components of revitalization but difficult to fund from KRC's development returns. Second, an enhanced role for KRC in strategic planning and facilitation for greater downtown will also require additional funds to cover staff and consultant costs. Finally, provision of further seed capital should also be analyzed, based on review of investment opportunities and a strategic investment and financial plan to be prepared by KRC. As has been dicussed at length, the entire consultant team felt that the project's time horizon should be substantially extended. We also recommend additional USAID funding for KRC, possibly prior to the end of the current project (as extended). It is difficult to specify a level of funding without more information from KRC on its developmental opportunities and reflow strategy. In addition, UDC's future plans for both downtown and the waterfront must be carefully considered. In general, however, KRC has effectively utilized the funds available under the current project and we assume a commensurate level of refunding by USAID would be as effectively absorbed.

Provision of additional USAID funds should, however, be made in the context of a plan by KRC for provision of local capital. Also, a serious search for foundation monies and support from other donors should also be undertaken.

Government of Jamaica: Funding and Development

It is hoped that the Government of Jamaica could begin to play a greater supporting role in downtown development. Indeed, there may be little chance for large-scale success until the Government embraces the rebuilding of the nation's capital as a priority. There are many ways in which GOJ can assist. It should increasingly invest in infrastructure, shelter and social services. GOJ can enable KRC and UDC to make maximum use of their land and monetary resources by providing funds to both organizations for planning and expert technical assistance. GOJ can also assist KRC leverage its resources and mobilize increased participation of the private sector. As has been discussed, additional tools for redevelopment, both financial and regulatory, are required. Finally, a reversal of the outflow of government functions in Inner Kingston would provide a crucial addition to the revitalization effort. Only the development/redevelopment of governmental buildings and spaces will give credence to the fact that downtown Kingston is a unique part of the capital city.

1.6 Lessons Learned from United States' Redevelopment Experience

There are significant United States models which suggest that only after a decade or more of planning and redevelopment in a central city can the results be appropriately and dispassionately viewed. United States models that come to mind are San Diego, California; Norfolk, Virginia; Miami, Florida; Portland, Maine; and Tampa, Florida. These cities have some but not all of the characteristics that Kingston possesses:

- ocean,
- mountains,
- strong grid plan,
- historic buildings,
- arts and cultural buildings,
- capitol city status,
- financial center,
- an urban population, and
- a ring of poverty between the original and "new" city.

In addition, KRC bears some striking similarities to many redevelopment organizations in the United States. It was created by the private sector; has a citizen board with some public representation; is financially supported by the private sector; and acts in the public interest in areas of community relations, planning, and generation of local employment.

Success in downtown revitalization in American cities has generally been built upon the principal of a "three-legged stool." The participants are traditionally:

- the city (with access to federal urban renewal and community development funds);
- the local private sector;
- the development community (local, national, and international).

In Kingston, however, there seem to be only two legs on the stool: the city is the missing link. As compared with United States experience, there is a lack of governmental input and resources in the "traditional" function of redeveloping the central city. In Jamaica, UDC has some of the redevelopment powers. This situation, however, puts much more pressure on the public/private partnership role of UDC and KRC.

The Kingston downtown project is now an interesting blend of old urban renewal approaches (industrial rehabilitation, area-wide renewal) and very current community-building techniques. As indicated, every effort should be made to engage the Government of Jamaica into a more participatory role. This has been the classic pattern in the United States. Traditionally, government participation was via formal redevelopment; more recently, it has been through financing schemes and incentives and infrastructure improvements; and, now, through social service, employment, and educational programs. Thus, in conjunction with government support, it is the newer kinds of reinvestment and rebuilding that may be required to push downtown over the edge toward recovery.

Second, this kind of blighted area generally gets rebuilt only when there are clear tax or other financial incentives available to reduce the initial riskiness of jumping in. It will be necessary to work out tax breaks,

exemptions for a specific time period, or other considerations. The process of redevelopment in downtown Philadelphia, for example, accelerated only after low interest loans and other techniques were put in place through an organization (PIDC) which has a truly public-private board: one half from each sector. Perhaps KRC should move in this direction if the right kinds of public incentives can be worked out.

Flexible funding from foundations and corporations in the United States has also been crucial in seeding specific kinds of projects: historic preservation, for example. It is a short list of American foundations that are interested in overseas matters but there are some and these should be actively solicited by KRC. USAID's move toward urban investments might make this easier, using Kingston as an exemplar. Foundations like to be pace-setters, especially if they see their modest investment triggering other actions by local forces. Discussions with the United States, Canadian and other nonprofit organizations with interests in these areas should also be explored (National Trust, various landmark groups, Partners for Livable Places, etc.).

The examples above relate to tried and tested techniques for city building in a partnership mode. Newer techniques might also be explored in the Kingston situation. These include:

- use of loaned or retired executives to augment KRC staff;
- use of graduate students or interns who might be drawn from local, United States or other foreign universities for a six-month period;
- sending one or more KRC staff to United States groups such as the Development Training Institute (where community development personnel are trained to make deals, present financials, do community partnerships, etc.). Other possibilities might be LISC in New York which specializes in loans and grants to local groups (especially relevant if KRC eventually gets into housing work within its project area). Another option might be to send KRC staff to an existing analogue group in Phoenix, Philadelphia, or a dozen other places;
- inviting the Urban Land Institute to Kingston to do one of its patented week-long planning/investment seminars for KRC, USAID, UDC and the government. It would attract attention and would be appropriate after KRC has

drafted a strategic plan. The downtown-waterfront linkage may be a relevant topic;

- conducting a design competition for a portion of the area, which might draw outside interest and capital to Kingston from around the world. Architects would be attracted by a sensible prize whether or not the project immediately follows;

- becoming a sister city. This can be another way both to learn and profit from connections with business and professional leaders elsewhere.

Downtown Kingston has considerable potential as an important part of a capital city. After two years of intense activity, however, the obvious question is whether the work accomplished to date will eventually lead to a downtown of renewed activity and beauty or whether the result will be a collection of fragmented individual efforts. Perhaps it is too early to tell, but past successes and current momentum, together with a carefully articulated agenda for future efforts could lead to an interesting and vibrant downtown.

2.0 PURPOSE AND STUDY QUESTIONS

2.1 Project Description and Background

The Inner Kingston Development Project is a joint effort between USAID, Kingston Restoration Company (KRC), a private development company and the Urban Development Corporation (UDC), a public sector development company in Jamaica. The project is intended to improve physical conditions, increase the number of job opportunities and trigger additional investment by the public and private sectors in downtown Kingston. The project, finalized in July of 1986, was projected to cost US$25M, with USAID contributing US$15M and KRC and UDC raising the remaining US$10M from public and private sources. The original project assistance completion date is September 1989.

Several studies indicated that the lack of suitable work space, particularly factory space, was a fundamental obstacle to business expansion in Jamaica. One segment of the need was being addressed by factory construction in the free zone, mostly for large-scale foreign owned firms. The Inner Kingston project addresses a second segment by focusing on the provision of space for indigenous small and medium scale enterprises.

The goal of the project is to contribute to Jamaica's needs for increased investment and employment opportunities by:

- Providing additional work space in Inner Kingston suitable for the expansion of light manufacturing and mixed commercial activity;
- Helping to restore Inner Kingston as a center for economic activity and job creation.

The boundary of the Inner Kingston area as defined for purposes of this project runs northerly along Darling St. from Kingston Harbour to Spanish Town Road, from that point easterly along a line paralleling Heywood and Sutton Streets to South Camp Gully, then southerly along South Camp Gully to its intersection with South Camp Road, then southerly along South Camp Road to the harbour, and westerly along the shore line to the origin. Though most project activities were expected to take place in this boundary, nearby developments may also be supported.

The major reasons for the project focusing in or near Inner Kingston are:

1. The high concentration of unemployed and undereducated urban poor in the area who find difficulty obtaining jobs outside the area due to costs of transportation and the negative stigma attached to them because of where they live;

2. The physical and economic deterioration of Inner Kingston and the concommitant social discord, have discouraged investment throughout Jamaica. A revitalization of this area, which houses some key government and private sector organizations, could help rekindle economic expectations nationwide;

3. Opportunities for cost and time savings are great as there are a large number of vacant buildings which are structurally sound but need refurbishing to be able to provide space for manufacturing and commercial purposes. In addition to this, the basic infrastructure is in place, though it does require some upgrading in certain areas.

Two institutions have primary responsibility for implementing the project: The Kingston Restoration Company (KRC), a private public interest corporation formed in 1983 by leading insurance companies, building societies, and developers in the area; and the Urban Development Corporation (UDC), a parastatal created in 1968 and experienced in large project development.

Project objectives for the Kingston Restoration Company are the following:

1. Rehabilitation of 324,500 sf. of space for manufacturing use by September 1989.

2. Rehabilitation of 71,500 sf. of space for mixed commercial use, by September 1989.

3. Implementation of a community outreach programme during the life of the project to involve the community in the development process.

4. Operation of a restoration grants programme to facilitate building improvements to 100,000 sf. of space for manufacturing and commercial use by small entrepreneurs.

5. Implementation of a street improvement program principally along King and Harbour streets based on a KRC-sponsored urban design plan. This element has been added since the original Cooperative Agreement.

Project objectives for the Urban Development Corporation are the following:

1. Development of a new Transportation Terminal, including bus terminal facilities for both inter- and intra-urban use as well as over 60,000 sf. of new and rehabilitated commercial space.

2. Provision of infrastructure and related improvements including:

   - Area wide improvements focussing on a low - level trunk sewer system in the Harbour Street corridor and installation of new traffic signals at key intersections.

   - Improvements within individual Development areas including sewer replacement (approx. 10,000 ft.); water main replacement (approx. 32,100 ft.); and road and sidewalk repairs (approx. 31,200 ft.).

3. Monitoring changes in investment, employment and the real estate market in the project area.

4. Convening an annual planning process in which UDC and KRC jointly plan activities for the year ahead and involve representatives of community groups, governmental agencies and private firms in broad planning for the areas development.

The Urban Institute, a Washington-based firm, is the project's Management Support and Monitoring Contractor. Under a contract awarded by USAID in January 1987, the Urban Institute assists the implementing agencies and USAID in monitoring project performance and impacts, providing technical assistance, and undertaking market and other analyses needed both to guide project design decisions and evaluate the project's impact.

Responsibility for the project within USAID is handled by the Regional Housing and Urban Development Office for the Caribbean.

2.2 Purpose of the Evaluation

This evaluation is is intended to provide information to USAID, KRC and UDC about how project procedures and practices can be improved and provide a framework for planning the completion of the project and for assessing the extent of downtown job generation and improvement resulting from the project. The evaluation can also provide information to USAID on how the

remaining financial resources for the project can best be allocated and assess what additional steps or actions USAID should undertake to assure that project objectives are met.

2.3 Study Questions

USAID formulated a number of questions which the evaluation should address. These questions are listed in detail in Appendix A, Scope of Services. They can be categorized as follows:

- project status and achievements--constraints and problems, cost recovery, real estate market, effectiveness;
- future role for KRC and UDC--role in downtown development, strategy, staff and program changes, role of Government of Jamaica;
- project financing--allocation and adequacy
- KRC as a model development entity.

Following a brief overview of the country context of the Inner Kingston Project, the above study issues are addressed in the body of the report.

3.0 ECONOMIC, SOCIAL, AND POLITICAL CONDITIONS FACING THE INNER KINGSTON PROJECT

The character of the urban blight in Inner Kingston has had an important influence on the structure of the Inner Kingston Project. Likewise, the economic and political environment facing Inner Kingston and the nation as a whole are important factors in determining the continued success of the Project and the eventual revitalization of downtown. Strengthening the recent economic upturn will be vital to generation of jobs and increased real income nationwide. Demand for the type of industrial and commercial space currently or potentially available in downtown is an important aspect. Similarly, accelerated improvement in Inner Kingston's social conditions and avoidance of a recurrence of political strife must occur in order to facilitate an economic upturn. A brief review of the economic and social situation before and after 1986 provides a useful backdrop for the evaluation of the project.

3.1 The Decline of Inner Kingston

Kingston is the capital of Jamaica and the only major city in the country. For nearly 200 years, Inner Kingston had been the focus of commercial, and governmental activity within the City. It was the legal and financial center of the nation and the home of the largest markets and warehouses for both internal and external trade. Handsome buildings of Georgian design grace the area, many rebuilt after a devastating earthquake in 1907.

For several decades, downtown Kingston has suffered the effects of urban blight, comparable to the blight that has plagued many other large urban centers in the United States and Europe. Decay began to afflict Inner Kingston as businesses, residents, and governmental offices moved to New Kingston and other suburban areas. The decline accelerated in the 1960s with the relocation of the harbor facilities to Newport West. Furthermore, the closing of a racetrack property opened up a great deal of land in what is now New Kingston.

During the 1970s, multiple economic problems plagued the Jamaican economy and the country entered what was to become over a decade of serious economic decline. The severe economic problems exacerbated social problems,

especially for the poorest groups in the society. Housing, health, and recreational facilities in Inner Kingston were among the worst in the country.

Furthermore, an unfortunate history of political patronage--largesse based on the party affiliation of particular districts--finally erupted into open warfare. The project area has traditionally been sharply divided between the two major parties in Jamaica: the People's National Party (PNP) and the Jamaica Labor Party (JLP). The northwestern section of the project has a high concentration of PNP supporters and the southern and eastern sections a large proportion of JLP supporters. Thus, between 1976 and 1982 downtown became the arena of violent political clashes stemming from the social and economic strife. From an initial population of 55,000, it is estimated that 23,000 persons left the area during this period. As many as 14,000 were considered to have left as a direct result of the political violence. Over 21,000 persons were deprived of shelter through arson, eviction, and violence in two square kilometers west of downtown and 4,000 buildings and residences were destroyed. Left behind were seriously substandard residential areas and more gradually decaying commercial, industrial and retail structures.

While the decline of downtown is certainly reminiscent of the blight affecting other urban areas, the problems in Jamaica have been exacerbated by the nation's lagging growth and serious unemployment. The poverty and unemployment downtown are both concentrated and relatively more severe than in most areas. Until the turnaround in the last two years, Jamaicans had watched their economy and standard of living decline for well over a decade. Real gross domestic product had fallen from $52.16 billion in 1974 to $51.83 billion in 1985, a decline of 16 percent. Similarly, real per capita GDP fell from $J1091 in 1974 to $J786 in 1985, a drop of 28 percent. Prior to initiation of a structural adjustment program in 1981, gross investment, savings, export earning, and consumption had all fallen sharply, while fiscal and balance of payments deficits had reached unsustainable levels. The rate of inflation, while extremely erratic, increased dramatically between 1981 and 1985 (from 6.5 percent to 26.0 percent). Unemployment stood at 25.6 percent in October 1985 for Jamaica overall and at 40.8 percent in Kingston.

The structural adjustment program introduced by the IMF and the World Bank is a (now classic) market-oriented, export-led development strategy, including promotion of non-traditional merchandise exports, tourism, and

foreign investment; improved public sector finances, increased capacity and employment in manufacturing, and policies to restore financial stability. The results of this program between 1981 and 1985 were disappointing. The external circumstances facing Jamaica were extremely adverse: world demand for bauxite and alumina fell and Jamaica faced deteriorating terms of trade and demand for its exports. Secondly, although significant progress was made in many areas of economic policy, there was little progress in non-traditional exports and budgetary control. IMF assumptions about the exchange rate proved to be wrong, leading to a belated and very large fall (44 percent) in the exchange rate beginning in November 1983.

Finally, it should be noted that imposition of a rigorous structural adjustment program may in the short run, hinder the Government's ability to respond to social and economic problems such as those in downtown. Indeed, worldwide there is concern that structural adjustment programs may temporarily worsen the economic prospects of the poorest groups in society. Prices for basic foodstuffs are high, and tight constraints on credit formation and public spending dampen growth and stop development of social programs.

3.2 The Current Economic, Social, and Political Context

The economic, political, and social climate now facing the Inner Kingston Project is far more sanguine than in any time in the past two decades. The economy, although still fragile, has finally begun to stabilize and show real growth. Whatever the outcome of the upcoming elections, governmental commitment to KRC and the revitalization of downtown is expected to remain strong. While social problems in the area remain widespread, social strife and violence have in fact declined.

Table 1 summarizes several of the economic trends. Real GDP grew by 2 percent in 1986, by 5 percent last year, and is currently increasing at between 4 and 5 percent. Per capita income grew by 4.8 percent in real terms in 1987, the first increase in many years. Inflation has fallen from 26 percent in 1985 to a current annual rate of 4.2 percent in 1988.

Several other indicators are more specific to the environment facing the KRC and Inner Kingston: for example, trends in private investment, manufacturing, finance, and employment. Gross fixed capital formation increased steadily during 1987. After declining by 4.2 percent in 1984, the

Table 1
Selected Economic Indicators

Indicator	1983	1984	1985	1986	1987	1988
Real DP: (J$M)	$1,942	$1,925	$1,835	$1,870	$1,967	NA
percent change	2.29%	-0.88%	-4.67%	1.91%	5.2%	(4-5%)
Real per capita GDP						
percent change	.046%	-2.65%	-5.45%	-0.25%	4.77%	NA
constant dollars (J$)	$867	$844	$798	$796	$834	NA
Gross Fixed Capital Formation (J$M)	$1,436	$1,981	$2,495	$2,335	$3,422	NA
% private	41.9%	56.6%	53.5%	41.6%	(1)	NA
Inflation	11.3%	27.8%	26.0%	14.8%	6.7%	(4.2%)
Real Growth by Sector						
Manufacturing	1.9%	-4.2%	0.5%	3.7%	5.2%	NA
Construction	6.7%	-7.1%	-14.3%	2.5%	14.0%	NA
Financial Institutions	21.4%	-8.5%	-7.0%	17.5%	3.1%	NA
Real Estate	2.9%	-1.8%	-1.9%	2.6%	5.2%	NA
Unemployment Rates						
Men under 25			30.4	25.7	27.7	NA
Men 25 and over			9.7	8.0	7.5	NA
Women under 25			65.7	56.9	53.5	NA
Women 25 and over			23.6	22.3	19.5	NA
Total			25.6	22.3	20.8	NA

NA = Not available.

(1) Figures are not yet available. The PIJ indicates that the share of private investment increased in 1987.

manufacturing sector has gradually recovered. Similarly, the financial sector declined by 7 to 8 percent in boch 1984 and 1985 and then recovered; a similar trend is seen in construction and real estate. Unemployment, although still very high, had fallen to 20.8 percent overall by 1987 and from 40.8 percent to 24.1 percent in Kingston between 1985 and 1987. Thus, to the extent that returning economic health in the nation as a whole can assist the climate in which KRC operates, the project is proceeding under far more sanguine conditions than existed several years ago. A continued fall in inflation will eventually assist in lowering interest rates and strong demand in the manufacturing sector should continue to spill over into demand for space.

Finally, the area is presently experiencing the most peaceful political environmental in the past decade. KRC's activities in the area are considered to have made an important contribution to this situation. Apparently, KRC is viewed by leaders in the area as not biased toward either party, supportive of already established church and community groups, and determined to improve economic and employment conditions in all parts of downtown.

4.0 TEAM COMPOSITION AND STUDY METHODS

Team Composition:

Dr. James Wallace, planner and real estate analyst, Abt Associates

Dr. Sally Merrill, economist, Abt Associates

Robert Stephens, financial analyst, PRAGMA, Jamaica

Graham Finney, administrator, The Conservation Co., Philadelphia

Stephen Dragos, developer, executive director of Phoenix Community Alliance

Harry Garnett, development economist, Abt Associates, contributed to Section 5.3

Evaluation Methodology

The approach of the evaluation was as follows:

1. Review secondary data--Project Paper; KRC Cooperative Agreement UDC Loan and Grant Agreement; monitoring and status reports by USAID, Urban Institute, KRC, and UDC; articles.

2. Briefing from USAID staff, review of project objectives.

3. Tour of project area.

4. Interviews with key personnel--KRC staff and board, UDC staff, Neighborhood organizations, real estate and investment community, planning and government officials.

5. Comparison of objectives and achievements, shortcomings.

6. Assessment of context of project--market, financial, social.

7. Identification of options for KRC, resources needed, prospects for success.

5.0 FINDINGS REGARDING THE STUDY QUESTIONS: KRC

5.1 Status and Achievements

5.1.1 Objectives

KRC's planned-for goals in the Inner Kingston Project included numerous and diverse objectives. While most of these goals are quantifiable and have specific assumptions regarding costs and schedule, others such as improved public perception of the investment climate in Inner Kingston, clearly require a name qualitative assessment. Thus, the evaluation includes a brief review of numerical targets with regard to rehabilitation, estimation grants, and employment creation; a review of KRC's financial condition with regard to construction costs, project reflows and KRC's operating and capital costs. A review of planned vs. actual schedule for completion; and an assessment of KRC's effectiveness in community outreach.

Table 2 summarizes KRC's major objectives. The major "quantifiable" objectives of the Project can be summarized as:

1. Rehabilitation of 324,500 sf. of space for manufacturing use by September 1989.

2. Rehabilitation of 71,500 sf. of space for mixed commercial use by September 1989.

3. Operation of a restoration grants program to facilitate building improvements to 100,000 sf. of space for manufacturing and commercial use by small entrepreneurs.

4. Implementation of a street improvement program principally along King and Harbour streets based on a KRC sponsored urban design plan.

5. Generation of employment opportunities equaling 2,500 permanent jobs and 1,800 person years of construction work.

In addition, KRC is to implement a community outreach program during the life of the project designed to involve the community in the development process, generate local employment, and alleviate social and political tension. The goal established for this was approximately 20 grants totaling $US100,000. Project output measures were also established regarding rekindling of investor

Table 2
KRC Project Objectives

Output	Measure and Target
I. Rehabilitated Space	
A. Manufacturing Space	324,500 sq. ft.
B. Commercial Space	71,500 sq. ft.
C. Restoration Grant Program	100,000 sq. ft. (US$6,250,000)
II. Community Development Grants	20 Grants (US$100,000)
III. Employment	2,500 permanent jobs 1,800 person-years construction work
IV. Rekindling Private Investment in Inner Kingston	Increased private investment exclusive of KRC Increased land and rental prices Increased occupancy in Oceania Hotel and Convention Center
V. Community Involvement and Social Conditions in Downtown	Increased self-help projects Decreased local unemployment Decreased crime rates Improved public perceptions Decreased health prob'ems
VI. Project Cost and Performance Targets	
Construction Costs (per sq. ft.)	J$114 Factory (May 1986) J$161 Commercial (May 1986)
Project Reflows	US$3,900,000
VII. Project Period	July 1986 to September 1989
VIII. Technical Assistance	The acquisition of technical assistance and training and management and program monitoring (US$475,000)

Source: Project Paper

In January 1988 the KRC Cooperative Agreement was modified to add US$682,000, largely to support a street improvement program for King and Harbour Streets.

interest in downtown and improvement in social conditions; these indicators have been informally analyzed by USAID although no numerical targets were set.

5.1.2 Project Achievements

Summary

A straightforward comparison of KRC's accomplishments and goals clearly indicates that KRC has been only partially successful in meeting its targets in the schedule originally established in the project paper. Only about 45 percent of the square feet of rehabilitation and restoration have been completed to date; another 8 percent of the goal, 38A Harbour Street is expected to be completed by 1989. The addition of the Industrial Center, expected to be completed after 1989, would fulfill 84 percent of the total goal. The project is also faces financial problems, including project cost overruns, higher than expected operating costs, and failure to raise sufficient local capital. Its financial future would greatly benefit from stronger internal planning.

As discussed in the Executive Summary, evaluation of KRC's achievements must also consider the constraints facing project execution. On the other hand, many of KRC's accomplishments are considered exemplary within the constraints faced by the project. These constraints include, foremost, an unrealistically short time horizon. Comparison with similar projects in the United States suggests that a decade or more is a more realistic period for achievement of this type of revitalization. Furthermore, KRC has operated in an extremely difficult environment, where new private sector initiatives had been essentially nonexistent, due to competition from New Kingston, cumulative fears regarding crime and unrest, a relatively unskilled local labor force, and an uncertain future for the Waterfront area. Within these constraints, KRC has demonstrated its ability to negotiate a wide variety of project financial and ownership arrangements, successfully rehabilitate and rent industrial space, provide employment and training for local residents, involve the largest private company in downtown in a joint venture, and effectively reach out to the community through grants and partnership with existing community organizations.

The joining of a public-spirited private company with an experienced parastatal in order to stimulate private investment in the face of urban blight is a unique developmental concept in the third world. Overall, KRC deserves a great deal of credit for its accomplishments. Its financial and management problems require immediate attention, however. KRC's achievements, summarized in Table 3, are discussed below. KRC's financial position and major constraints and problems are presented in Sections 5.1.3 and 5.1.4.

Rehabilitation of Manufacturing Space

KRC has now completed the rehabilitation of three properties: the D&G Brewery on Pechon St., the Machado complex, and the Knitting Mills. Together they provide over 148,000 square feet, 45 percent of the original goal for manufacturing space. The initial project, the D&G Brewery, suffered a significant overrun in rehabilitation costs and is not now profitable in terms of cash flow. KRC learned several lessons from this experience, however, including the importance of careful planning and financial analysis. Both Machado and Knitting Mills are more attractive investments and the demand for their space appears to be substantial.

Table 4 provides a comparison of targets and actual experience for the first three projects. Overall, the average unit cost of producing manufacturing space was only 19 percent higher than projected.[1] The financial performance of the project has been buoyed by higher than expected rents and lower than expected vacancies and rent-up time. Rents, starting at $12 per square foot at D&G and Machado and $16 at Knitting Mills are higher than the $8 to $12 anticipated. Also, the vacancy rate is expected to be less than the planned 15 percent and the projects have been rented in only one-third the time anticipated.[2] On the other hand, despite these positive factors, KRC is generating less net income than projected, principally because operating costs have far exceeded the $4 to $5 per square foot that is being charged to

[1]Urban Institute Draft Mid-Term Report.

[2]Urban Institute Draft Mid-Term Report, p. 32.

Table 3
KRC Project Objectives and
Outputs Achieved and Planned

KRC Objectives	Output to date 9/30/88	Planned Output 1/10/88-9/30/89	Planned Output Beyond FY1989
I. Manufacturing Space: 324,500 sq. ft.	Total: 148,254 sq.ft.		
Completed:			
D&G I	29,933 sq.ft.		
Machado	79,721 sq.ft.		
Knitting Mills		38,600 sq.ft.	
Definitely Proposed:			
Industrial Center I			
38A Harbor St.		25,700 sq.ft.	
In Planning:			
D&G II			3,500 sq.ft.
High Holburn			
Hanover St.			
Industrial Center II			100,000 sq.ft.*
II. Commercial Space: 71,500 sq. ft.			
Definitely Proposed: 40 Harbour St.		9,200 sq.ft.	
In Planning:			
Tourist Board Building			
Public Buildings West			82,000 sq.ft.
Gold Street Police Station			28,000 sq.ft.
Wray and Nephew			
III. Restoration Grants: 100,000 sq. ft.			
Completed	46,215 sq.ft.		
In Progress		7,000 sq.ft.	
Applications in Process		5,746 sq.ft.	
IV. Community Development Grants: 20 grants	10 grants	(Total 10 grants: Funds will be expended.)	
V. King & Harbor Street Improvements $US682,000	N.A. (This task was added after the project was under way.)		$US682,000
VI. Employment			
Downtown Jobs	799 (Total Jobs) 374 (Net Jobs)		
Construction Employment	127 person years		

* Total for I and II.

Table 4

Comparison of Targets and Actual Experiences[a]
First Three Projects

Item	Proposed	Actual	Variance
D&G - Phase I			
Construction Start	5/86	10/86	+ 5 mos.
Construction Period	9 mos.	11 mos.	+ 2 mos.
Project Cost (J$'000s)	4,613	5,273	+ 14%
Net Rentable Space (sq. ft.)	32,000	31,175	- 3%
Unit Cost (J$/sq. ft.)	144	187	+ 30%
Time Required for 90 Percent Lease-Up	18 mos.	8 mos.	- 10 mos.
Average Rent (J$/sq. ft., years 1-5)	11.20	13.60	+ 21%
Average Return (rental income, years 1-5)	6.6%	6.6%	--
Machado			
Construction Start	1/87	5/87	+ 4 mos.
Construction Period	6 mos.	12 mos.	+ 6 mos.
Project Cost (J$'000s)	10,061	9,823	+ 3%
Net Rentable Space (sq. ft.)	79,200	73,249	- 8%
Unit Cost (J$/sq. ft.)	127	134	+ 6%
Time Required for 90 Percent Lease-Up	18 mos.	3 mos.	- 15 mos.
Average Rent (J$/sq. ft., years 1-5)	13.10	13.60	+ 4%
Average Return (rental income, years 1-5)	8.8%	10.6%	+ 20%
Knitting Mills (projected)			
Construction Start	4/87	11/87	+ 7 mos.
Construction Period	6 mos.	11 mos.	+ 5 mos.
Project Cost (J$'000s)	4,986	5,426	+ 9%
Net Rentable Space (sq. ft.)	49,900	40,000	- 20%
Unit Cost (J$/sq. ft.)	100	136	+ 36%
Time Required for 90 Percent Lease-Up	18 mos.	3 mos.	- 15 mos.
Average Rent (J$/sq. ft., years 1-5)	10.29	19.54	+ 90%
Average Return (rental income, years 1-5)	8.8%	13.8%	+ 57%

* Projects were financed with USAID grant funds; no construction finance element is included in total costs. With construction finance (at a 22 percent borrowing rate), returns for the first five years would be reduced by 1.6 percentage points (on average).

[a] Taken from Interim Report

tenants. Also, considerable delinquencies have developed. All things considered, Knitting Mills will probably be the most successful project to date since its rate of return--possibly 18 percent over the first 5 years--is nearly competitive with alternative investments.[1]

KRC is currently planning projects at 38A Harbour Street and phase I of the Industrial Center, which will add another 75,000 square feet of manufacturing space. The Industrial Center, a complex arrangement involving a number of properties on Harbour St., represents an innovative joint venture with ICD (Industrial Commercial Development Ltd.), one of the largest private organizations in Jamaica. Initiation of the project is indicative of KRC's growing ability to negotiate and plan, the only major stumbling block being installation by NWC of sewage pumps on Harbour Street. The project "anchors" the southeast corner of the project area, which is vital for the long run, because this area is in quite poor condition. On the other hand, KRC is financing 80 percent of total project costs through providing a below-market interest mortgage loan out of KRC capital--a questionable decision by a capital-poor organization.

Three other industrial projects are in the planning stage at this time: Phase II of the Industrial Center, Phase II of D&G, Highholburn Street, and Hanover Street. All of these projects appear to challenge KRC's ability to operate in increasingly complex circumstances: depending on the project, the issues include high construction costs, the need to secure private sector partners, and the willingness of current owners to sell. In addition, in the case of Hanover Street, the government of Jamaica (or another source) must be willing to contribute to project costs, because development of the site as an incubator facility for small business would not be expected to provide an adequate return.

Rehabilitation of Commercial Space

KRC's private commercial investment program is not as feasible as expected. Demand for downtown commercial space appears weak, as rents are not likely to exceeds $20 per square foot. On the other hand, renovation costs

[1]Budget and Development Plan, prepared by Urban Institute, p. 4.

are apparently $J275, which exceeds the figure originally estimated ($J210) by 30 percent. The result is an expected annual return of only about 12 percent which is not competitive with alternative investments.[1] Thus, one of KRC's objectives is to generate increased demand so hat investments downtown will provide market-rate returns.

As a result, KRC has also turned its attention to publicly owned buildings with the goal of transferring them to private control, rehabilitating them, and converting them to active use. As indicated in Table 3, several properties are under discussion and should move into the construction stage in FY1989.

Forty Harbour Street (together with 38A Harbour Street) will be transferred from UDC to KRC via a peppercorn lease (a long-term lease with token annual payments). The Tourist Board Building will be leased to KRC by the Commissioner of Lands; it is hoped that this can be developed as the headquarters of the Jamaican Bar Association using capital provided by law firms. Public Buildings West, an immense building on King Street, may be renovated for use as government offices; this could begin a trend important to downtown's future: the return of major government activity. The Gold Street Police Station is expected to be acquired by KRC, rehabilitated, and rented to the Government for use as a police station; again, this could be an important step, since lack of security has been a major deterrent to private investment.

Finally, the Wray & Nephew building in which KRC currently holds a short-term lease, potentially represents another theme that may be important in KRC's future: tourism. This extremely handsome building would be renovated in conjunction with UDC's plans to bring tourism to Kingston. In the first instance, KRC must negotiate a longer lease with the owners. Caution should be exercised, because KRC's return on this property as a tourist/festival center would be highly sensitive to the actual achievement of numerous investments designed to make tourism viable. UDC's plans in this

[1]Urban Institute Draft Mid-Term Report, p. 32.

regard are not clear; a master plan involving both downtown and the Harbor front, with carefully detailed projections of tourist demand, needs to be developed.

In summary, KRC has been innovative in transferring its efforts from rehabilitation of private commercial space to planning projects in conjunction with UDC and GOJ. Not only will currently vacant or underutilized properties be rehabilitated, but several issues, some vitally important to downtown's future, have been thrust in the limelight: the return of government activity, the quest for reduced crime, and long-term plans for tourism.

Restoration Grants and King and Harbour Street Development

KRC's Restoration Grant Program and the King and Harbour Street Improvement Plan are ideally suited to stimulate private-sector investment through the spillover effects of improvements in these key neighborhoods. KRC's Restoration Grant program provides grants of J$5,000 to J$200,000, representing 20 percent to 50 percent of total costs, to small businesses and property owners. (The Project Paper originally anticipated cost sharing of 20 percent; however, a 50 percent grant was utilized for paint-up fix-up projects.) It is hoped that all King Street property owners, who will be in addition the beneficiaries of substantial public improvements under the King Street program, will invest in restoring their properties.

Demand has been high: all funds originally budgeted will be expended prior to September, 1989 and KRC is expected to request a reallocation of USAID funds to this program. As of mid-year, KRC had completed or had under way 12 restoration grant projects, with another two applications far enough along to have a funding commitment. The 14 projects represent a total commitment of KRC grant funds of J$835,000 (US$159,200) toward projects having a total investment of J$4,143,000 (US$758,800); average grant size is J$59,600. The types of projects include paint-up, facade improvements, roof repair, and general renovations. Total square footage in these projects is 59,000, not including the paint-up projects. Exhibit 3 illustrates the benefits of facade improvement, while Exhibit 4 shows the Wesley Church being rehabilitated with help from KRC's grant program. Future demand is expected on Harbour and Port Royal Streets and also on King Street, in conjunction with the King Street Program. This portion of the project seems essentially on

schedule and within budget; the original project target of 100,000 square feet should be completed in 1989 with the remaining funds allocated.

Exhibit 3

A Restored Facade in Downtown Kingston:

The Kingston Restoration Company's Restoration Grant Program

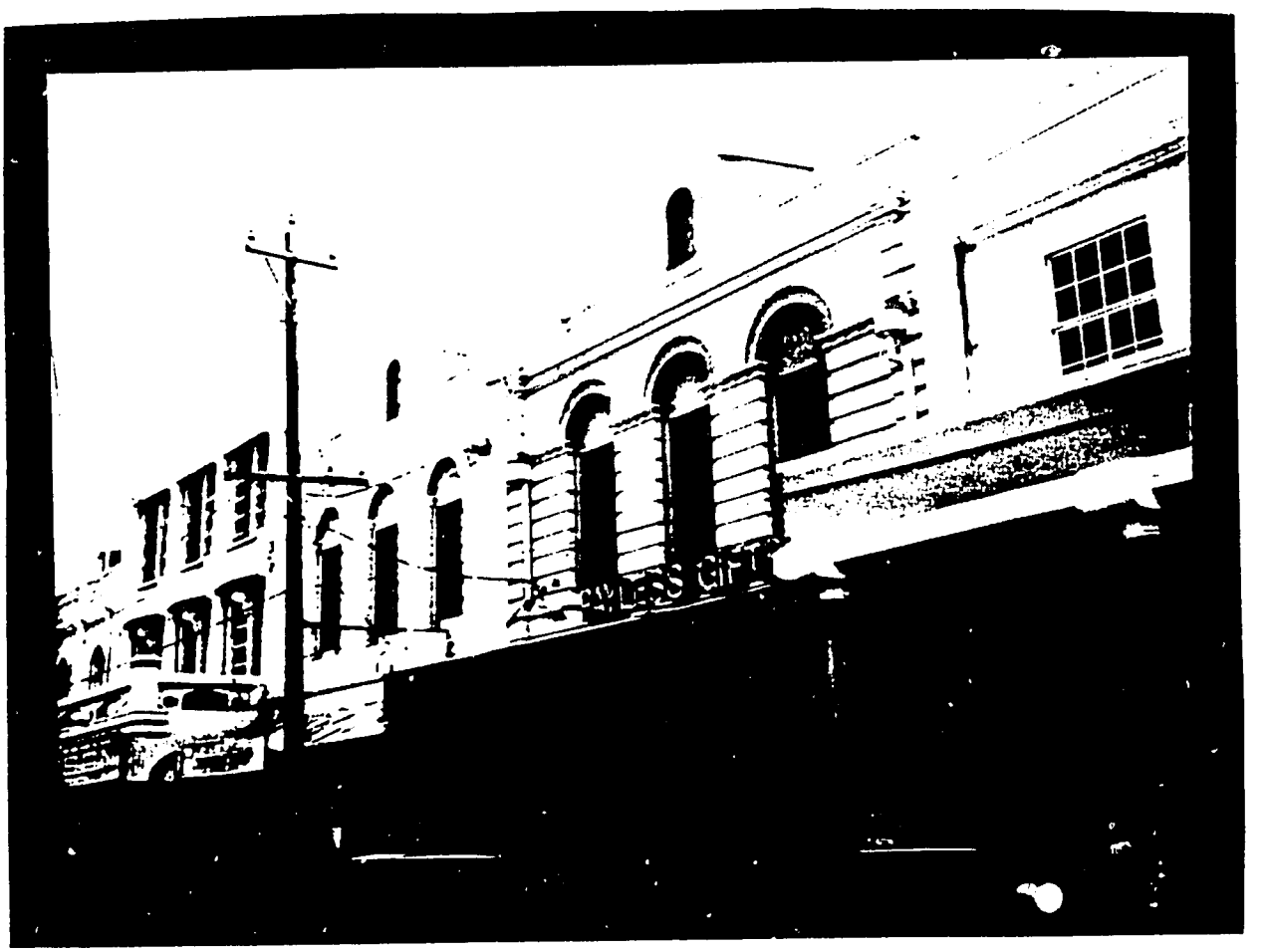
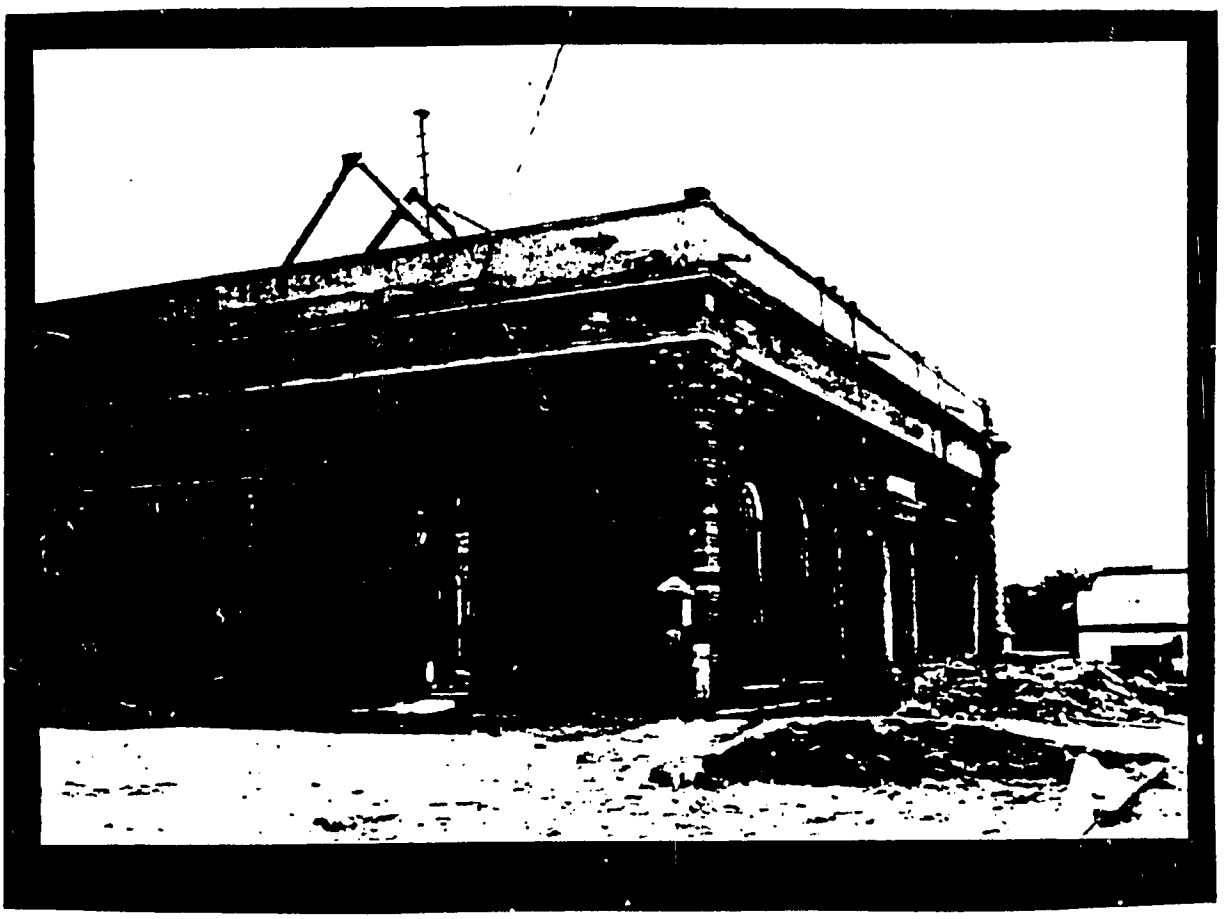


Exhibit 4

Wesley Church in Downtown Kingston: Being Rehabilitated with Grant Assistance from the Kingston Restoration Company



The King Street Improvements Program was added to the Inner Kingston Project after the initial design; the project budget was increased by $US682,000, bringing the USAID total for KRC to $US7,557,000. KRC has sponsored an Urban Design Plan that includes landscaping, street lighting, sidewalk repaving and other related improvements. A consortium of architects and planners was hired to design an integrated treatment of these streets and to specify and cost out the essential elements, including facade improvements, landscaping, paving, lighting, and other elements for upgrading the appearance of these streets. The design report has been prepared, reviewed by the KRC

board, revised by the design consortium, completed in a form with plans and renderings, and currently is under review by the Prime Minister's office. Some mixture of UDC infrastructure funds, Government of Jamaica funds, and private funds will be needed to carry out the planned street improvements.

This program is a laudable addition to KRC's activities. The King Street program adds additional impetus to the generation of spillover effects, and is a good example of a closely targeted and focused effort. Much of this area has buildings of excellent design, and some are already improved; this project will help increase the consistency of improvement. The King Street program is an excellent example of KRC's initiative in planning for downtown and undertaking tasks not currently assigned or performed. The evaluation team strongly suggests that KRC take the lead in the planning function, coordinating overall plans with UDC.

Employment Creation

Downtown Kingston's unemployment rate has consistently been much higher than the national average. In 1982, 36 percent of the labor force in the area within two miles of the Parade was out of work, a rate half again as high as for the rest of Kingston-St. Andrew and 24 percent higher than the national average. Current levels are not precisely known, but in some downtown neighborhoods the unemployment rate may be 60 percent or more. Thus, KRC's rehabilitation efforts are also intended to generate employment, particularly for area residents.

The employment goals established in the project paper were 2,500 permanent jobs and 1,800 person-years of construction work. The latter, of course, includes considerable generation of construction employment by UDC; KRC's individual goal is not known.

To date, D&G Phase I, Machado, and Knitting Mills have generated approximately 127 person years of construction employment, accounting for gross earnings of J$1,185,000.[1] In addition, 799 permanent jobs have been created by the employers located in D&G and Machado. This represents approximately one-third of the original goal and appears to be on target in that

[1]Urban Institute Draft Mid-Term Report.

approximately one-third of the targeted manufacturing space has now been completed and leased (undertaken in June, 1988). Of the 799 permanent jobs created, 374 are estimated to be new jobs; 17 light manufacturing plants are located in KRC's completed projects, of which 12 were existing and 5 newly started. A business survey of downtown revealed that businesses located in KRC projects created nearly one-half of the total jobs created by the entire private sector downtown. Thus, between September 1987 and September 1988, KRC projects brought 630 jobs while between August 1986 and August 1987, 1,300 jobs were created by the rest of the downtown private sector. Knitting Mills will produce another 400 jobs, and the Industrial Center 1,000, so that KRC's contribution to employment in this area can be considered substantial.

Another important issue is the extent to which local area residents hold these jobs. A study of Machado indicates that for construction employment, 30 percent of the wages paid to skilled workers and 75 percent to unskilled went to area residents.[1] In D&G and Machado, about 23 percent of the 799 jobs created went to local residents, although the analysis is somewhat incomplete. Employing area residents has not been without its problems, however; the local workforce is largely unskilled; many have no recent work history, and work habits and attitudes are not uniformly satisfactory. For these reasons, KRC is trying to respond to local employment issues through development of a skills database and through integration of job training into its community programs.

Community Development Grants

This component of the Inner Kingston Project supports small subgrants to local institutions to support community outreach related to the overall development program. While representing under five percent of the total funds provided to KRC under the cooperative agreement with USAID, these funds have been effectively used to leverage substantial support for the efforts of KRC and acceptance of its role in the community, despite the social and political odds that historically would have worked against such an objective.

[1]Urban Institute Draft Mid-Term Report.

The subgrant funds have been used to bolster the institutions that have stayed with the community despite its past upheavals and economic distress, particularly church and religious organizations. Under the guidance of the community development director of KRC, funds have been targeted to social service and human development programs of these institutions that serve the broad purpose of stabilizing the community, reinforcing self-respect and self-reliance, and developing marketable skills. At the time of the evaluation, funds had been applied to the following:

- equipment for the Laws Street Trade Centre, operated by the Sisters of Mercy and offering courses in home economics, baking, sewing and crafts;
- paving a play area for the Holy Family School, also operated by the Sisters of Mercy;
- construction costs for a training center connected to Hanover Street Baptist Church, providing training in commercial sewing and an outlet for products made by trainees;
- administrative costs and equipment for home economics department of Wesley Church "Operation Peace";
- Old People's Home of First Missionary Church;
- staff costs of the development officer and program development of Restoration Dialogue of the Institute of Jamaica;
- small business revolving loans;
- developing a soccer league which has involved youth from both sides of the local political spectrum, considered a major accomplishment in the Inner Kingston Environment;
- Jacob's Well: financial assistance to a weaving project run by Brothers of the Poor; and
- restoration for the Salvation Army of a men's hostel to provide low income housing in downtown Kingston.

From all the evidence available to the evaluation team in our interviews and in a walking tour of the neighborhoods, the community development approach has paid rich dividends. KRC has garnered support across the political spectrum and is perceived as making a positive contribution to the revitalization of Inner Kingston with a commitment to respect and involve local residents, many of whom are adults said never to have had a formal job in their lifetimes.

5.1.3 KRC Finances and Cost Recovery Performance

The Project Paper envisioned substantial local contributions and reflows of project funds to enable the projected extent of rehabilitation. However, local contributions have not been realized to the extent planned and reflows have emerged more slowly. The Project Paper assumed that with $5.25 million in USAID grants, $1 million in local contributions, and $2.6 million in reflows of project funds--through rental income, management fees, other development-related income, and through conversion of income streams into immediate cash by raising mortgages on the properties or through similar financial transactions[1]--a grand total of $8.85 million would be sufficient to rehabilitate 324,500 square feet of manufacturing space at an average cost of $27.27 (J$150) per square foot for rehabilitation costs. For commercial space the assumptions were $1 million from USAID, $635,000 in local contributions, and $1.1 million in reflows--to provide a total of $2.735 million to rehabilitate 71,000 square feet at an average cost of $38.18 (J$210) per square foot.[2]

The Project Paper also assumed that projects would be financed in such a way that KRC would obtain maximum up-front cash reimbursements (sales of properties or capitalizing income streams) through mortgages or other financing on completed projects in order to finance further projects. The minimum target was 70 percent reimbursement up front (within a year).[3] Such a model presumes that owners and other real estate development parties trust the economic viability of the resulting buildings and would be happy to have them so rehabilitated under what essentially would have been KRC construction financing, with the owners paying off the KRC investment at the end of construction. The trouble is, such owners either would have had to provide equity financing or persuade a lender to provide debt financing to pay KRC as a "take-out" at the end of construction.

[1]Project Paper, p. 29.

[2]Project Paper, pp. 24, 30.

[3]Project Paper, p. 49.

This has not turned out to be the reality of real estate in Inner Kingston in the late 1980s. The first project, refurbishing of the old D&G Brewery building on Pechon Street, was undertaken under a 50-year lease (at $10 a year) from the owner, with the understanding that KRC would front the rehabilitation expenses and would then be able to receive the income from the new tenants, with various buyout options for the owner during the term of the lease. KRC acquired the next two projects outright, the Machado complex and the former Knitting Mills, essentially facing the reality that the conventional real estate development community was not going to take the risk, and at the same time hoping that KRC itself would enjoy the appreciation in value of these complexes in a relatively short period.

The result is that KRC has tied up the following amounts in these three manufacturing space projects:

D&G	J$5.273 million
Machado	J$9.823 million
Knitting Mills	J$5.426 million

for a total of J$20.522 (US$3.73).[1] Offsetting this, KRC has raised J$4.8 million (US$0.872 million) in debentures to Jamaican financial institutions, itself a form of "reflow."

There is an inherent conflict for KRC strategy between recycling USAID grant capitalization to do more projects and maintaining ownership for future appreciation. Although apparently forced to do so by reality, the heavy equity position of KRC has severely limited its access to capital to undertake other projects, compounded by three other problems. These are:

- the expected contributions from the businesses represented on the Board of Directors have not been forthcoming--a FY88 commitment to raise J$427,000 in local funds for operating expenses yielded only J$79,200 (Board Minutes 26 October, 1988);
- overhead expenses of KRC have increased even while the volume of work to carry it has not; and

[1]Urban Institute Draft Mid-Term Report, p. 31

- net incomes from the two completed properties have not been as large as planned, apparently owing to delayed payments and higher than anticipated expenses, which should be recoverable under lease terms.[1]

KRC's difficulty in resolving its numerous and often conflicting objectives is nowhere illustrated better than in the deal that has been struck on Phase I of the development of the Industrial Center on Harbour Street. KRC very skillfully used the leverage of its powerful board of directors to option at very favorable rates the parcels needed for this Harbour Street project. KRC essentially passed along as an effective subsidy the below market cost of the properties by agreeing to convey 50 percent of the acquired properties at acquisition cost to the equity investor, Industrial Commercial Development, Ltd., a large Jamaican development firm with its national headquarters adjacent to the tract of parcels assembled for the Industrial Center. If ICD elects the second phase, the properties are to be conveyed at market value. The terms were regarded as worth the price in order to show to the rest of the investment community that a large Jamaican firm was prepared to invest its own funds in Inner Kingston. An additional incentive provided by KRC was that it agreed to provide 80 percent mortgage financing out of its own capital and at the below market interest rate of 13 percent so that the debt can be serviced out of a modest project income. Despite the possible long term benefits and immediate positive business psychology of this deal, it seems questionable for an organization already capital-poor, although the loan could be sold at a discount to retrieve capital. On the other hand, KRC believes this is a reasonable approach given their mandate to revitalize downtown; this is a reasonable viewpoint given the current low levels of non-KRC investment in downtown.

Price Waterhouse was asked in February 1988 to do an analysis of KRC's financing options and alternatives for achieving reflows of capital. Their analysis considered returns from simply renting the properties, from borrowing the maximum possible to service from the net cash flows, and and from selling properties (Machado and Knitting Mills). Because the cash on cash returns of the projects are submarket--none of these options looks very desirable in

[1]Urban Institute Draft Mid-Term Report.

standard investment terms--their rates of return are moderate but below market. Price Waterhouse recommended that the best way for KRC to meet its reflow objectives would be to sell its properties to a subsidiary that could issue convertible debentures. This would support an ongoing rehabilitation operation involving an expanding volume over the next several years. The analysis also assumed an additional infusion of J$16.1 million in USAID funds from 1989 through 1991. Through such a vehicle, investors might be willing to accept a below market annual return in exchange for the prospect of capital gains as the properties appreciate. Unfortunately, the soundings that had been made in the investment community did not indicate a very receptive climate; we did not solicit an USAID response regarding their assumed contribution.

A financial analysis performed by a member of the evaluation team reached similar conclusions. This analysis indicated that KRC cannot survive simply trying to operate from rental returns from owned property but must either sell some properties as it goes or obtain further equity infusions (not necessarily from USAID, but perhaps not from private investors, given the investment setting of these properties). The budget and development plan for FY89 (submitted December 15, 1988) envisions making ends meet by J$1 million in local contributions but indicates reflows through property sales only to the extent of J$140,000.

Both KRC and USAID may need to face the possibility that one or more properties will need to be sold--perhaps at less than full recovery of the acquisition and rehabilitation expenses--in order to obtain the "reflow" and continue operations. If conditions did not change and the cost and rental market situation remained essentially the same, a succession of such cycles would, of course, eventually diminish KRC's capital to zero. We have not tried to project such a scenario, but it is entirely possible that a period of effectively subsidized rehabilitation may be necessary before a critical take-off point is reached. The critical factors are perceptions in the investment community of the viability of these projects and the scale of operations KRC is able to undertake. A larger scale of operations would create a more visible and believable extent of change in Inner Kingston and would internalize into KRC the benefit of the expected appreciation in values attributable to KRC activities.

Until such a scale of operations is enabled, either by sale of properties or by equity infusions, a greater local commitment is needed to underwriting the operating expenses of KRC. The United States experience with turning around stagnant or downward headed inner city economies is that a consortium of businesses with a stake in the community need to commit themselves to underwriting the operation of the non-profit development entity that does the planning, develops the strategies, and catalyzes the needed changes.

5.1.4 Major Constraints

In addition to internal management problems, KRC's accomplishments must be considered in the context of constraints placed on its actions by external factors. Constraints posed by KRC's environment include:

- an unrealistically short time horizon planned for the project;
- absence of traditional municipal government functions typically available to urban development in the United States;
- the need for a more aggressively functioning town planning department;
- the absence of a coordinated planning function for issues that already have an impact on downtown's development or will in the future, including:
  - -- residential development and upgrading of existing slum areas,
  - -- the development of tourism in Kingston,
  - -- UDC land use planning and the exploitation of linkages between downtown and the Harbor area.
- delays in UDC projects that have caused bottlenecks in KRC's progress.

In addition, constraints which may impact KRC's project development in the future include:

- low demand for commercial space in the downtown area;
- an apparent shortage of viable projects for continued rehabilitation of manufacturing space within downtown; and

- failure to make substantial progress in crime and poor residential and social conditions within the area.

Time Horizon

The time horizon established for the project was unrealistically short. USAID and other donor agencies frequently face a dilemma in this regard, because failure to establish specific milestones within a reasonable period of time can hinder an energetic approach to deadlines by project participants and impose a time frame "outside" most people's relevant time horizon. On the other hand, economic revitalization is a time-consuming process; experience through the United States suggests that a period of at least 10 years (and probably much longer) is required to make a lasting impact and generate spontaneous investment activity by project nonparticipants.

In retrospect, USAID might have considered a somewhat longer project with recognition internal to USAID that, in reality, the project would continue even beyond that date, whatever happened with regard to further USAID funding. Plans are now under way to extend the project until September 1991. Well prior to that date, KRC (and UDC) should be asked to develop plans for at least another five-year period.

Municipal Government/Government Regulation and Planning Functions

Success in downtown revitalization in American cities has generally been built upon the principle of a "three-legged stool." The participants are traditionally:

- the municipality (with access to federal urban renewal and community development funds);
- the local private sector; and
- the public development community (local, national, and international).

In Kingston, the municipality has been the missing link. The major regulatory local government body, the Kingston and Saint Andrew Corporation, has been virtually dismantled and only recently has the responsibility for policing the pattern of development been passed over to the Town and Country Planning Authority, which has not fulfilled the required role. Basically, the KRC/UDC

partnership has partially fulfilled the financial and planning role of government but have not attempted (rightly so) to assume the regulatory role. Thus, enforcement of zoning regulations, redevelopment planning, eminent domain, clearance of derelict buildings, and tax and other incentives for redevelopment, which are traditionally municipal functions in the United States, have been absent or not energetically utilized in Kingston.

Furthermore, Town and Country Planning Authority inaction regarding zoning and the policing of planning laws and regulations has had a negative effect on the implementation of this project in several ways. The major areas are:

- inadequate policing of compliance with zoning laws in uptown areas resulting in many operators of small and medium sized businesses illegally operating in residential areas where they cause a nuisance and reduce property values. Downtown may have suffered due to migration of these businesses uptown; and

- delays in the approval of plans due to the lack of clarity as to which agency has final approval authority, inadequate staffing of the TPD and a general reluctance by the responsible public officials to make decisions without instructions from the Office of the Prime Minister (OPM).

The latter point deserves some comment. Apparently plans regarding King Street were delayed because the OPM was considering tram cars for King Street financed by the French government. More details are needed concerning the status of this project and whether the master plan for King Street is acceptable to OPM and TPD. This bottleneck needs unclogging. However, too often action is delayed due to lack of clear authority to proceed from various government agencies. Apparently, many public officials have been unwilling to make decisions unless they are directed by OPM to proceed.

Development Planning

In the absence of a municipal authority responsible for comprehensive redevelopment planning, KRC and UDC have undertaken many aspects of this role. The King Street Improvement Plan is a good case in point and a planning endeavor well suited to KRC's emerging role. However, KRC has been thrust

into thinking about "comprehensive" solutions for many types of problems. The resolution of three issues in particular will have an important impact on downtown's future role:

- social development in downtown, particularly residential development, human services, and crime prevention;
- waterfront development, tourism in Kingston, and the linkage of the Harbor to downtown; and
- renewed utilization of downtown by government offices.

As discussed in Section 3.0, conditions of life in Inner Kingston are generally substandard, with housing, crime and health facilities among the worst in the country. Despite KRC's attempts to understand the problems and make a contribution to addressing those identified as most critical, there needs to be an overall plan and strategy. In the case of housing, there needs to be a program to demolish those structures that are beyond repair (which is the state of the majority of those in the project area) and replace them with some viable mix of housing to attract more of the working class back into the area while also improving the standard of housing for the present dwellers, recognizing that most of them are unemployed and therefore will have to be subsidized until they can become self-sufficient.

Thus, while KRC has made some inroads regarding social issues, their resolution is largely the domain of the public sector. The responsible public sector organizations must become involved and ultimately create an environment where private capital can again flow into housing. KRC can continue to coordinate suggestions for economic and social revitalization. In the case of housing, KRC can perhaps play a more catalytic role in the future, such as garnering more private capital and coordinating public and private investments. GOJ must become involved, however, since large sums of money are ultimately involved.

The status of plans for waterfront development and tourism in Kingston are equally pressing with regard to KRC's future. For example, KRC's approach to development of the Wray & Nephew Building is ultimately dependent on decisions regarding tourism. Thus, UDC must be requested to develop its plans regarding vacant waterfront land, the Convention Center, the Oceana Hotel, whether or not there are to be strong linkages between the Harbour and Downtown, and whether the thrust of this development involves tourism. The water-

front is now an "underutilized oasis," not closely linked to downtown. If it is not to remain that way, KRC's strategic planning must be closely coordinated with UDC's. UDC owns 52 percent of all public lands in Inner Kingston and controls 89 percent of all vacant public land within the project area. KRC has already demonstrated its ability to plan the redevelopment of public properties. UDC must be urged to help set the long-run context.

Finally, government offices were among those in the mass exodus to New Kingston. GOJ involvement could usefully extend to increased utilization (or reutilization) of downtown facilities. This would help maintain the building stock, enhance retail activities, and bring a broad-based workforce back to the area. Also, it is likely that increased pressure on GOJ to assist the revitalization efforts would ensue, especially to fix up the "building next door." Thus, relocating government offices downtown should be encouraged as an important stimulus and signal to the private sector.

5.1.5 Rekindling the Private Sector in Downtown Kingston

Appreciation of property values in downtown Kingston is a cornerstone of KRC's long-term development strategy. Similarly, viable rents and adequate future rental appreciation are necessary to support reflow objectives and operating costs. Thus, one of the major goals of the Inner Kingston project is rekindling of spontaneous private sector investment in downtown. The goals as stated in the Project Paper are not quantified; the objectives, however, are to stimulate private sector investment exclusive of KRC, increase land and rental prices in downtown, and increase occupancy rates in the Oceana Hotel and the Convention Center.

A number of questions are important in addressing whether these objectives of the project have been met, including:

- What are private sector perceptions of the future viability of business activity downtown and the appreciation of property values?

- What is the underlying demand for commercial and industrial space in Greater Kingston?

- What is a reasonable time frame over which to analyze changes in rental rates and land values?

- Have any of the potential linkages between downtown and the waterfront been developed?

A related study question is whether Project Paper expectations about demand for space, the nature of the real estate market and the development of Inner Kingston were accurate. Research undertaken for preparation of the Project Paper included review of prior studies of demand for manufacturing space, a survey of 119 businesses located in Kingston and St. Andrew and an assessment of land values within the target area.

The Demand for Space and the Development of New Business in Inner Kingston

The Project Paper notes that several previous studies had concluded that lack of factory space was an important constraint on the expansion of the manufacturing sector. A 1986 study, Industrial Location and Development in Jamaica, was carried out by the Town Planning Department with partial funding by USAID to support efforts by USAID and JIDC (Jamaica Industrial Development Corporation) in developing new factory space. Additional space in the Free Zones has been developed for occupancy by large, foreign-owned firms. In contrast, KRC's focus is on smaller, indigenous firms that are more likely to find downtown rent levels and other factors attractive. Thus, a survey more specifically addressing willingness to relocate downtown was also carried out in 1986.

Both of these studies provide useful background data. However, neither is adequate to support quantitative demand estimates, and, as noted in the Project Paper, it could not be said with certainty that long-term demand was sufficient to justify KRC's production targets. KRC has not yet encountered difficulty in renting the space already completed. However, current space represents only 45 percent of the target, and thus, it is still useful to review the goal in light of the existing information. The 1987 survey of 758 businesses in downtown (68 of which were manufacturing concerns) provides much additional information on preferences and satisfaction.

Based on Industrial Location study, there are approximately 2,275,000 square feet of building space in Kingston overall. KRC's goal of 325,000 square feet of commercial space is approximately 14 percent of that total.[1] However, compared to a crude estimate of 465,000 square feet of manufacturing space in Central Downtown in 1986, KRC's goal appears rather more ambitious (about 70 percent)[2]

The studies provide mixed signals with regard to plans to relocate and the desirability of downtown. The Industrial Location study found that 22 percent of firms felt their space would be inadequate in three years, 25 percent in five yeears, and 27 percent in ten years. The 1986 survey found just slightly higher space needs: 27 percent immediately and 27 percent within 2 years. All three studies found similar levels of interest in moving (29 to 33 percent), but different attitudes toward relocation. One-half of those planning to move in the Industrial Location study were leaving greater Kingston for St. Andrew; 63 percent of those planning to move in the 1986 survey were not willing to locate downtown; 44 percent of those planning to move in the 1987 survey were willing to stay downtown (manufacturing, retail, and high skill service industries all had a high preference to stay) while 41 percent were not.

There is some evidence that downtown is relatively desirable for firms needing more space. In the 1986 survey, 63 percent of firms planning both to move and expand said they would consider Inner Kingston but only 19 percent of those moving but not expanding. The 1987 survey found that of firms desiring to move and stay downtown, 72 percent had inadequate space; this compares with only 22 percent of the group wanting to move outside downtown. Also, one-half of the businesses which located downtown in the 1982-1987 period cited availability of space as a major reason for choosing their location. Finally,

[1]In the Industrial Location study Kingston is divided into 16 neighborhoods in 2 planning areas. The neighborhood noted as Central Downtown appears to coincide very roughly with the target area. The Industrial Location Study identified 67 manufacturing entities in Central Downtown while the 1987 survey identified 68, so there is rough correspondence.

[2]This crude estimate was derived by simply expanding the square feet in the surveyed buildings by the ratio of surveyed to total space expected for the entire sample.

in addition to space, downtown's advantages are seen as the convenience of a central location and proximity to legal and banking services.

On the other hand, several factors affecting the demand for space remain cause for worry. First, in all the studies reviewed here, theft, high crime rates, and lack of security are the major constraints cited for not wishing to locate downtown. The Industrial Location study found a 20 percent rate of "dissatisfaction with location" for Kingston overall but a 37 percent rate for Central Downtown. Second, there seems to be some concern in KRC that the supply of rehabable manufacturing space in the target area is dwindling; in some cases individual properties are less suitable than would be desired, while in others, the owners are not willing to sell or lease on acceptable terms. Thirdly, downtown's manufacturing firms remain dominated by the garment industry and other assembly industries. Such firms tend to be very vulnerable to both cost squeezes and "derived" demand: that is "derived" from perceptions of final demand by the United States-based partner. Jamaica must compete with both the Far East and other CARICOM Nations. Demand is extremely volatile in the assembly industries and anecdotes of entire factories disappearing over a weekend suggest the sensitivity of this derived demand. Finally, the economics of the demand for commercial space, as discussed above, have been disappointing. Until downtown can command higher rents, it is not profitable for KRC to rehabilitate private commercial space.

The age structure of downtown firms provides a final bit of evidence on the strength of demand for space. In 1981, 10 percent of the firms downtown were less than one year old, 12 percent 1-2 years, 20 percent 3-5 years, 14 percent 6-10 years, and 45 percent more than 10 years. Downtown has a strong core of older firms, especially financial firms, fewer than expected middle-age firms and a good proportion of younger firms. Unfortunately, without knowing the mortality rate for firms, it is difficult to conclude whether downtown is doing well enough in attracting firms.[2] While there are reasons for optimism, many problems remain.

[1]Flamm, Kenneth, "The Volatitility of Offshore Investment," Journal of Development Economics 16, 1984.

[2]Urban Institute Draft Mid-Term Report, p. 11.

Attracting Private Investment

As mentioned in the introduction, the ultimate success of the Inner Kingston Project is to attract spontaneous non-KRC, private sector investment on a scale that leads to continuous inflow of funds and an increasingly revitalized environment. There are some signs that this process could be beginning. The restoration grants program has been successful; the King and Harbour Street Improvement Programs appear to have been met with enthusiasm, and several major downtown businesses (in real estate, insurance and journalism) have substantially renovated their facilities. Also, the Industrial Center project involves an important partnership between KRC and a major downtown industrial establishment.

As an "illustrative" goal, the Project Paper stated that non-KRC private investment should be at least three times the 1981-1985 average, which was about J$1,319,200.[1] Table 5, suggests that this goal was nearly met in 1986, when private investment was J$3,890,000. Investment fell to J$2,266,000 in 1987; however, decisions were pending on J$8.0 million at the end of 1987.

Unfortunately, it is difficult to measure the extent to which private investment has increased. Building permit information is the only available source and it both understates true investment (because of projects begun with no permits) and overstates it (because of work never initiated). Also, it is too early to attribute the apparent increase to the Inner Kingston Project; undoubtedly there is a lag in response and these 1987 figures cover less than eighteen months of project operation. Although private investment appears to have increased, it has been quite cyclical. Also, other public sector investment in the area, which had ceased since completion of the Conference Center in 1981, began again in 1986 in West Kingston. Thus, given the apparent volatility of the private sector data series, and the recent nature of investment by KRC, UDC, and other public sector organizations, a longer period of observation is required.

[1]Urban Institute Draft Mid-Term Report. This figure is based on approved building permits.

Table 5
Samples of Current Rental in Downtown Kingston*

Organization	Types of Space Being Rented	Location	Net Rental Per Annum	Maintenance Charge Per Annum	Comments
C.D. Alexander	Offices	Duke St.	$20.00/sq. ft.		
C.D. Alexander	Offices & Light Industrial	West St.	$14.00/sq. ft.	Client doing maintenance at own cost.	
C.D. Alexander	Offices & Retail	Corner Princess & Tower St.	$17.00/sq. ft.		Withdrawn from Market now owner occupied.
KRC	Light Manufacturing	Pechon St. (old D&G)	$12.00/sq. ft.	$5.00/sq. ft.	
KRC	Light Manufacturing	Pechon St. (Knitting Mills)	$17.6/sq. ft.	$5.00/sq. ft.	15% increase per year in rental for five (5) years.
KRC	Light Manufacturing	Corner South Camp Rd. and Windward Rd. (Machado)	$12.00/sq. ft.	$5.00/sq. ft.	
KRC	Offices	Duke St.	$20.00/sq. ft.	$20.00/sq. ft.	Planned activity.
Jambuild	Offices	Duke St.	$25-30.00/sq. ft.		Maintenance included in rent, i.e., A/C electricity, carpeting, water, insurance, land taxes, some repairs, security.
UDC	Offices	Marcus Garvey Complex	$20.00/sq. ft.	$10.52/sq. ft.	
	Shops	(New Kingston)	$15.00/sq. ft.	$10.52/sq. ft.	
UDC	Offices	Kingston Waterfront	$20.00/sq. ft.	$22.00/sq. ft.	
	Shops (Block 4)		$10.00/sq. ft.	$19.31/sq. ft.	
UDC	Offices	Kingston Waterfront	$20.00/sq. ft.	$11.07/sq. ft.	
	Shops (Block 2/6)		$10.00/sq. ft.	$11.07/sq. ft.	
UDC	Offices	Kingston Waterfront	$15.00/sq. ft.	$8.00/sq. ft.	
UDC	Offices	Kingston Waterfront (Block 2)	$24.00/sq. ft.	$12.41/sq. ft.	Maintenance includes electricity.

* Source: UDC.

Finally, two other factors suggest caution in concluding that Inner Kingston is about to "take-off." First, as discussed above, the KRC Board itself has not been willing to invest extensively in KRC. Several observors suggested to the evaluation team that this signaled a still low level of investor confidence; if the Board itself does not have faith in future appreciation, the general private sector cannot be expected to. Second, it is not clear what "scale" is required to generate permanent and large-scale change downtown. Since 1985, private sector investment downtown has focused on Pechon, Princess, and Orange Streets; little investment has taken place along the traditional commercial strips, King Street and Harbour Street.[1] This leaves the eastern section of the project area relatively untouched and, as mentioned, numerous observors feel that a massive effort is needed to improve residential areas and restore those industrial properties still in ruins. Also, the waterfront remains under public sector control and although there has been a small increase in occupancy rates at the Oceana Hotel, the Convention Center is massively underutilized and both enterprises operate at a loss. Thus, it is likely that both the duration and scale of KRC and UDC activities must be increased to provide the incentives necessary to generate longterm development.

Rental Rates and Land Values

Increases in rental rates and land values toward levels ensuring economic rates of return would be another sign of economic revitalization of downtown. Again, little information is available and it is not conclusive, but KRC's experience at least suggests some positive movement.

Land prices in downtown are extremely low in comparison with New Kingston. KRC has purchased land and buildings for J$10 to J$25 per square foot between 1986 and 1988. In New Kingston, land (without any buildings) was priced at J$120 in 1988. Another aspect of downtown land prices are their variability; the highest prices occur in the so-called "business corridor" of the target area (J$25 to J$30 in 1984), while outside the edge of the corridor

[1]Urban Institute Draft Mid-Term Report.

and in eastern sections, prices are less than J$8 per square foot.[1] Values around the corridors increased only marginally between 1984 and 1986 while in the rest of downtown there was virtually no change. Little turnover seems to be occuring; owners may be unwiiling to sell because of low prices or expectations of future appreciation.[2]

As would be expected, rents show a similar pattern; highest rents are centered on King and Duke Streets near the Parade, where rents may exceed J$20. Along King Street to the waterfront, rents range from J$10 to J$20, and in in southwestern section, rents may be less than J$5 per square foot. This compares with commercial rents of J$35 in New Kingston; thus, as discussed above, profitable development of commercial space by KRC has not been feasible.

On the other hand, rents obtained on specific downtown properties have sometimes been adequate; KRC's own experience shows improvement over time. Table 5, based on data provided by UDC, shows illustrative rents for KRC, UDC, and C.D. Alexander. Knitting Mills provides a competitive rate of return to KRC, for example. Also KRC's plans for rent appreciation (10 pecent per annum for 38a-40 Harbour Street) are encouraging. Finally, visual comparison of the maps giving generalized land values for 1984 (Project Paper) and rent levels for 1987 (Interim Report) at least suggest that higher prices are currently less constrained to the narrow U-shaped corridor. KRC projects may dominate this "spread", but it is at least a beginning toward consolidation of the target area.

5.1.6 Project Support Through USAID and the Urban Institute

The Project Paper was rather cryptic on the support roles of the USAID/CARIB office and the directly-contracted USAID technical assistance. The latter function was "for program monitoring, evaluation, and implementation coordination" (p. 28, Project Paper). KRC staff express

[1]Refer to Map 6 in the Project Paper.

[2]Urban Institute Draft Mid-Term Report.

appreciation for the assistance that has been provided both by the USAID Project Officer and by the USAID consultants, the Urban Institute and George Karras.

In particular, the Urban Institute has worked closely with KRC staff in several critical areas:

- to help identify and analyze potential properties,
- to consider various financial and leasing options,
- to perform analyses of the real estate market, and
- to prepare planning documents on land uses, land ownership, and property trends.

This guidance has been quite useful to KRC in making its way through the essentially uncharted waters of Inner Kingston redevelopment.

Perhaps precisely because of its close work with KRC, the consultant team has not sufficiently drawn attention to some critical shortcomings in KRC nor has the team worked effectively to lead KRC into a position of internalizing more of the functions which the consultant team has performed. The result is that KRC had not moved to satisfy the critical need for a senior financial planner. This is evidenced by the observation that at the time of the evaluation visit the consultant still was in the position of preparing the first draft of the current financial plan for the corporation. Neither AID nor the Urban Institute have been unaware of the needs for KRC to hire a senior financial planner or to develop a financial plan. While unsuccessful to date, all parties have sought to identify candidates to increase the financial and real estate development skills of KRC. A second management gap not adequately identified by the technical assistance consultants is the gap between the current construction planning and monitoring staff and the need for one or more overall project managers, so that KRC's president can have more time free for project dealmaking and corporate planning.

5.2 Project Funds

Table 6 summarizes the original allocations of USAID funds for KRC and the disbursements to date. While the Community Outreach and Restoration

Table 6
Expenditures of AID Funds for KRC:
Planned and Actual

Project Element	Planned Expenditures				Plan as % of Total Plan as of 9/30/88	Disbursed 10/31/88 ($US 000)	Disbursed as % of Total Plan 10/30/88
	Total Planned ($US 000)	% FY87	% FY88	% FY89			
Industrial/ Commercial	6,250	45%	35%	20%	80%	3,063	49%
Outreach	100	60%	30%	10%	90%	46.5	47%
Grants	250	40%	40%	20%	80%	51.4	40%
TA/Training	275	64%	20%	16%	84%	159.3	58%
Total	6,875	46%	34%	20%	80%	3,715	(54%)**
King & Harbor Streets Improvements*	682	NA	NA	NA	NA	0	0%
Total	$7,557						

* This item was not budgeted in Project Paper, but was subsequently added.

** This % represents disbursements compared to original plan; disbursements as % of obligations as of 10/31/88 are 60%.

Grants elements can be expected to be applied within the original Project Assistance Completion Date, this is not true of the other elements. We see no reason for reallocation of remaining funds, but we do agree with the recommendation for an extension of approximately two years in the completion date. (As discussed elsewhere in this evaluation report we believe that the project was underscoped both in terms of funding and schedule, given the ambitious objectives of the project.)

5.3 KRC as a Model Development Entity

In this section we will discuss the organizational and external factors that have enabled KRC to implement its part of the project, assess the value of KRC as a useful organizational model for other communities in Jamaica or in other countries, and in general review KRC as a model for implementing USAID's new urban strategy.

There are a number of characteristics of Inner Kingston that made it necessary for action to be taken and a number characteristics of the business environment in Kingston and Jamaica as a whole that contributed to the success as well as the form of the project. Each will be discussed below.

(i) The need for action was great. Inner Kingston is a downtown area, once the business capital of the island, that had suffered a severe decline, due partly to political violence. Some of the decline may also have been attributable to the process of "planning blight" that can be observed in old trading and business centers throughout the world, as port facilities are relocated, retailing moves to the suburbs, and businesses require more land than can be provided at reasonable cost in the city center. Kingston's harbor was relocated in 1960. As discussed, the deterioration of the area during and following the political strife left 20,000 homeless and resulted in a loss of 1,500 jobs. The unemployment rate was half as much again as the rest of the island (where it was also very high). Two-thirds had been unemployed for more than three years. People could not afford to commute long distances to find work; the transport system itself had collapsed. The informal sector did not have capacity to absorb much additional labor.

There are not many examples in developing countries of downtown, former port and trading areas that have suffered such decline and deterioration as did Inner Kingston. In terms of need for action, Inner Kingston

had the characteristics of the older parts of large cities in much more advanced countries. The redevelopment needs of the centers of low income countries' capital cities are not usually great, even if the rehabilitation needs may be. Often quite massive redevlopment has taken place in cities in middle income countries where USAID is active (Bangkok, Manila, Cairo, Bogota, Quito, Amman, and so on) but this has not in general been for the reasons that the Inner Kingston redevelopment was initiated, which were social as much as economic. In most of these other cases, the private sector has taken the intiative because it has realized that it could very profitably redevelop land at much higher densities for commercial uses. The private sector did not, without considerable funding from the public sector, including USAID, decide to rehabilitate Inner Kingston.

(ii) The labor market conditions in Inner Kingston were in many ways similar to those in many other developing country cities. Many of the characteristics of the project were determined by those conditions. The neighborhoods were very poor. Almost half of those surveyed admitted that they "lacked job skills". There was much long term unemployment. These are common labor market conditions in devloping country cities. The difference in this instance was that the informal sector was apparently unable to absorb this labor at a standard of living close to that of the recent past. Most of the employment in low income developing country cities is provided by the informal (or microenterprise sector), often as high as 90 percent of non-public sector employment. Even in middle income cities there is usually a large and productive informal sector. However, even where the microenterprise sector is absorbing new labor and raising incomes, which is almost always the case, an objective of enterprise and employment policy is to encourage informal as well as formal sector businesses to grow and become more productive. This goal was one of the objectives of the Inner Kingston project, particularly in the market developments of UDC. Part of the growth and development process is gradually to formalize the informal sector, without stifling its entrepreneurial spirit. Projects organized along the lines of the Inner Kingston Project

could encourage the development of small business in the formal or informal sectors, since both types of businesses operate in similar labor (and other) market conditions.

(iii) The KRC projects concentrated on promoting manufacturing enterprises and employment. This is typically the best urban enterprise development strategy in developing countries, rather than promoting public or private service employment, or "basic", capital intensive industries. In this instance the planners concentrated on the needs of the garment and electrical components businesses. These activities do not need highly skilled labor (there was very little in Inner Kingston). And they might be nevertheless expected to raise incomes because payments tended to be linked to output--earnings would rise as skills increased. Public training programs were not required since firms had their own programs, which did not need to be elaborate. Although many of the firms in these subsectors were running out of space, they did not require large buildings.

The informal sector enterprises that urban development programs aim to "upgrade" have many of these characteristics. They also share another characteristic of the firms that this project aimed to assist: they had already passed through the most difficult setup phase and been tested in the marketplace. These small-to-medium sized formal sector enterprises had already proved to be viable and, as with many of the more ambitious informal sector enterprises, were looking for ways to grow and become more profitable. Employment generation projects that have concentrated on making existing and already viable enterprises more profitable have tended to be more successful than those that tried to encourage new enterprises (the typical industrial estate project, for example).

(iv) The general economic conditions before the project began and while the project was being implemented (those conditions were quite different at each stage) were not dissimilar from the conditions that have recently prevailed in many developing countries. GNP per capita fell by an average of 1.4 per cent per annum between 1965 and 1986; similar declines were characteristic of many Sub-Saharan countries, for example. Inflation was high. The labor force was expanding rapidly (growing faster than the population, in this instance--at least Jamaica's population growth rate, at 1.4 per cent, was not too high). The urban population growth rate was about

twice the overall population growth rate, just as in Africa. Jamaica's concentration of the urban population in the capital city (primacy) is very high: at 66 percent a level typical of low rather than middle income countries. Further, Jamaica's dramatic economic recovery is similar in character to the recent recoveries of some of the poorer countries that were once in extreme economic difficulties. Real GDP grew by 2 percent in 1986 and 5 percent in 1987. Inflation has fallen to 4.2 percent in 1988. Private investment is rising. There have been the typical problems associated with structural adjustment too: the lower income groups failing to benefit, highly priced basic foodstuffs, fewer public sector resources to maintain and expand infrastructure, and so on. The turnaround has certainly helped to make the project successful, just as economic decline made it necessary.

(v) The project employed the private sector to solve partly social problems and to play roles often assumed by the public sector. It is rare in developing countries for a private sector organization to be selected to be responsible for generating employment in an urban area and for its rehabilitation, as has been the case with KRC. Urban development authorities are often given a certain independence from central or even local government but they tend to remain essentially public sector institutions. KRC may nevertheless be a useful model for the future in certain circumstances. The private sector route was chosen partly because it offered the flexibility needed to achieve the project's objectives without undue delay. In addition, the project's designers believed that a private institution was best placed to generate further private sector investment, a key objective of the project. It was clear that the government would not have the funds needed for the rehabilitation and job creation since its own expenditure was subject to severe restraint under the structural adjustment program. Employment creation was not in any case suitable for the public sector since the process had proved to have made it heavily politicized in the past. Finally the project had a much better chance of self-sustainability if it were in the hands of the private sector applying market standards to each decision. Many of these considerations would be equally applicable in most other developing countries' cities.

However, to implement such a project through the private sector does assume that private investors are available for such an undertaking. Many of the lower income developing countries do not have a well developed private sector; this may not be the case with middle-income countries, however. KRC's shareholders include insurance companies, building societies and developers. The first two types of companies attract the long term funds needed for an operation such as KRC's. Some developing countries do not have any such companies in the private sector; and their developers are typically small. However, it might be appropriate for public sector organizations performing the same function to invest in a privately incorporated company along the lines of KRC. There are usually public sector pension funds which could be invested in such a venture; similarly there are often state-owned buiding societies. The key is that these investors, although in the public sector, must operate as if they were market sensitive, commercial, profit-making enterprises. Some public enterprises do; and many are now being restructured to do so as part of public enterprise reform programs.

Another consideration is that the investors in the Kingston case had experience in sophisticated financial instruments. Many low income and some middle income capital markets are not as advanced in that regard as Jamaica's. KRC was expected to use its funds to leverage private sector finance from other sources. The financial devices KRC has introduced might not work in poorly developed capital markets. For example, KRC negotiated a financial package for the industrial center in which the private investor contributed 20 per cent of the project cost as equity, with KRC providing balance as a mortgage loan. KRC also plans to attract private capital through refinancing USAID-funded projects. There has been an initial debenture issue with the industrial project as the security. KRC may offer a convertible security backed by specific properties, with an option to convert to equity that will be appealing as long as there is confidence that property values will continue to escalate.

A final and critical condition for effective private sector participation is that there be an expectation of profits from the project that is at least as good as expectations from alternative uses of the funds. Initially KRC's shareholders will probably not make as good returns from their investment in KRC than from investing the funds elsewhere. To a certain

extent they were persuaded to invest out of public spiritness. But they were also protecting investments elsewhere: the insurance companies, building societies and developers did not want the blight to spread elswhere. They feel that a well-functioning Inner Kingston is an important component of an efficient and attractive Kingston as a whole. Finally, in the long run they stood to make substantial returns as the revival progressed and land values rose.

It is probably important that an agency seeking to do what KRC is doing should limit itself to profitmaking, commercial activities. If there is an activity that will require substantial grants or subsidies from government it should either be handled by a separate agency or contracted to the organization as a clearly separately accounted for line of business. The temptation to excuse poor performance because of social obligations is very strong in organizations with public purposes.

Fortunately, KRC was able to avoid one activity on which cost recovery may have been difficult, except in the very long term. KRC did not have to organize the provision of main line infrastructure. The basic capacity already existed, although it needed upgrading in some instances. The is one respect in which KRC differs from many of the world's urban development authorities (including Jamaica's): their main function is often to organize the construction of roads, water and sewer lines, and so on. It is possible that a purely private sector organization such as KRC works best where it does not have to assume these responsibilities and focuses on redevelopment and rehabilitation rather than initial development.

In summary, the conditions for success in a project which aims to create jobs and rehabilitate infrastructure through a private sector organization can be summarized as follows:

- a clear need for rehabilitation or redevelopment;
- a growing economy or one which is giving strong signs of recovery;
- underutilized main line infrastructure capacity;
- a strong private sector;
- a viable small enterprise sector looking for space to expand;
- a small enterprise sector able to absorb a poorly skilled labor force;

- financial institutions with long term funds which are prepared to take higher than usual risks;
- fairly sophisticated capital markets;
- a number of private developers, some quite large; and
- a government prepared to work with the private sector to perform public functions.

6.0 FINDINGS REGARDING THE STUDY QUESTIONS: UDC

The Project Paper set out three specific project elements for the Urban Development Corporation:

- Development of a new transportation terminal with an associated commercial center;
- Provision of supporting public infrastructure and other related improvements;
- Acquisition of relevant technical assistance and training related to management and information systems.

6.1 Status and Achievements

As the Project Paper objectives were implemented in the Project Loan and Grant Agreement executed July 30, 1986, the following are the main UDC project elements and their current status:

- Development of a new 200,000 sq. ft. transportation terminal, with an associated 104,000 sq. ft. commercial center (privately financed) on the second level of the transportation terminal.

  Status: The rural bus terminal is under construction with completion estimated for mid-1989; designs for the urban bus terminal are completed and approved by USAID, but bidding awaits USAID's approval of acceptable cost estimates.

- Area-wide infrastructure improvements in sewerage system capacity along Harbour Street, running along the southern project boundary, involving replacement of 10,557 lineal feet of trunk mains, installation of a new pumping station, and improvements to a mid-level trunk syphon;

  Status: The critically needed improvements in the sewer system in the Harbour Street corridor have been delayed, but primary elements of the project now have USAID's approval and have gone out to bid, with others to follow; construction is expected to start early in 1989 and require 1½ to 2 years to complete; the Jamaican National Water Commission has agreed to install some new auxiliary pumps as an interim fix for the sewage backflow problems on Harbour Street; no apparent activity on the traffic signal project.

- Infrastructure improvements in specific development areas, coordinated with the Inner Kingston Project's

rehabilitation and construction activities, including replacement of 36,400 lineal feet of secondary water mains, 10,000 feet of of sewer mains and laterals as needed, resurfacing of roads and lanes and needed repairs to curbs and sidewalks (46,400 ft).

Status: Infrastructure improvements coordinated with specific development projects have not been undertaken.

- Establishing a land management and information system for Inner Kingston.

  Status: Establishing a land management system has essentially been dropped from the UDC's agenda, although some of the needed survey activity has been undertaken by USAID's technical assistance consultant, the Urban Institute (see Urban Institute impact report).

- Overall implementation planning and coordination, including forming an Inner Kingston Advisory Committee and convening and chairing an annual planning process involving UDC, and other participating institutions.

  Status: Planning process meetings have been held in September, 1986; September 1987; and November, 1988 (delayed because of Hurricane Gilbert).

Of the project objectives, the planning process and the rural transportation center elements will have been achieved by the PACD of September, 1989. Assuming that the land management system component is addressed in some other way, the other project elements will likely be completed sometime in 1991 and then only if UDC attaches sufficient priority to these elements of work and if the operating procedures of working with USAID have now passed the initial learning stage.

The most critical element would seem to be the Harbour Street sewer system improvements, although the other elements, particularly those related to the whole set of market and transportation improvements in West Kingston, are part of the whole process of developing a psychology of improvement and the physical evidence of a coordinated set of actions in that area that should add to investor confidence in the industrial and commercial developments which KRC is undertaking in its project area.

The delays in the UDC's portions of the project may be attributable to a number of factors:

- according to UDC staff, some delays are attributable to difficulties in learning how to comply with USAID requirements, both of UDC in its bidding and contracting procedures and on the part of contractors unaccustomed to the specific requirements of USAID assisted work, although UDC has worked with World Bank and the Inter-American Development Bank on other projects;

- overload of the organization in the forms of projects throughout the country which it has been asked by the GOJ to take on because of its demonstrated performance in the past;

- a period of illness of the Executive Director.

The UDC learning curve on USAID's contracting requirements may now have reached the stage from which the USAID requirements will not be as much of a source of delay. The scope of the evaluation did not permit a detailed review of this problem, although the Project Loan and Grant Agreement is itself a bit ambiguous on this point. In the Amplified Project Description, Section III begins by saying that "The construction activities described below will be carried out in compliance with USAID Handbook II requirements" while the section on Infrastructure Improvements indicates "UDC will be responsible for managing the implementation of these improvements, including constructing using host country contracting procedures." Perhaps the USAID staff could review the extent to which the latter guidelines could be followed without violating the intent of the USAID Handbook requirements.

6.2 Project Funding

Allocation of USAID loan funds under the original Project Loan and Grant Agreement is summarized in Table 7. The limited activity under any of the project elements is reflected in the low level of disbursements--only 3 percent of the total planned amount of US $7.65 million, although the Project Paper envisioned spending 93 percent of project funds by the end of fiscal year 1988. Most of the expenditures have been in the planning and and design and pre-tender stages of the transportation terminal and the area-wide infrastructure. At this stage there is no basis for judging the adequacy of utilization the funds allocated.

Table 7
Expenditures of AID Funds for UDC:
Planned and Actual

Project Element	Planned Expenditures				Plan as % of Total Plan as of 9/30/88	Disbursed 10/31/88 ($US 000)	Disbursed as % of Total Plan 10/30/88
	Total Planned ($US 000)	% FY87	% FY88	% FY89			
Transportation Terminal	2,574	95%	5%	0	100%	106.8	4%
Area-Wide Infrastructure	2,115	100%	0	0	100%	45.2	2%
Development Area Infrastructure	2,736	42%	38%	20%	80%	0	0%
TA/Training	225	66%	18%	16%	84%	78.2	34%
Total	7,650	77%	16%	7%	93%	232.5	3%
Technical Assistance/ OS Grant	NA				NA	2.3	

6.3 Future Role for UDC

The Project Assistance Completion Date needs to be extended for a number of months to allow the basic tasks to be completed. Beyond completion of the project elements originally undertaken the role for UDC in further redevelopment of Inner Kingston lies in two areas. These are completing its related and supporting work of development of the waterfront, which is almost entirely held by UDC, and in more direct support of KRC activities in terms of acquisitions of parcels for redevelopment.

The abandoned appearance of the parcels surrounding the Convention Center/Bank of Jamaica/Oceana Hotel/Museum complex are a drag on investor interest and confidence in the area. The area could be made immediately more appealing by very low cost interim improvements in the number of vacant parcels held by UDC along the waterfront. This would include at least removal of rubble and trash from vacant lots, and ideally would include some modest landscaping, providing of recreational facilities, and parking lot development in the interim.

An overall waterfront development plan should be undertaken by UDC in conjunction with KRC; it should be coordinated with all the cognizant public agencies as well as tested with private sector interests in terms of practicality. Parcels along the waterfront scheduled for redevelopment should be conveyed to or leased to redevelopers submitting the most attractive bids in terms of plans and purchase/lease payment arrangements. This would offer a considerable speed-up of activity so that some momentum and scale effects could begin to take hold in terms of investor confidence in Inner Kingston. It would also clarify KRC's role in potential future plans for tourism.

Finally, UDC also should work more closely with KRC, along the lines of the 38A-40 Harbour Street development, in terms of purchase/long lease from UDC and UDC-held property in the KRC project area, as well as providing assistance in assembly of parcels and blocks of parcels.

7.0 CONCLUSIONS AND RECOMMENDATIONS

Based upon the observations of the evaluation team, the following summarizes the primary findings and recommendations of the evaluation:

1. KRC has not yet completed the major project elements of rehabilitation of manufacturing and commercial space and of the recently added element of King-Harbour Street improvements and is not expected to reach the project goals by the project assistance completion date of 30 September 1989.

RECOMMENDATION:

- Extend the project assistance completion date by two years. Begin discussions regarding further project assistance based on strategic plans developed by KRC.

2. Community outreach programs have played an important role in developing community support for KRC's space and job development programs. Their continued support beyond the current allocation does not appear to be supportable out of returns from development activities.

RECOMMENDATION:

- Seek local, national, and international sources of support, including the Government of Jamaica, for the community outreach programs.

3. KRC local capital contributions have not materialized. The actual contributions have been a small fraction of the amounts agreed upon in the Cooperative Agreement.

RECOMMENDATIONS:

- USAID may wish to condition further allocations of funds on a schedule of compliance for the local contributions;
- The KRC executive director and the board of directors should commit themselves to raising these contributions from local firms with a commitment to future interests in the economic welfare of Inner Kingston and to obtaining a long-term commitment for annual shares of underwriting of the operating expenses of KRC.

4. KRC has had difficulty recapturing its rehabilitation expenditures to capitalize further projects; eventual reflows may not reach the planned US$3.9 million and some of the reflows realized through the J$4.8 million in debentures have been applied to operating expenses, not redevelopment.

RECOMMENDATION:

- KRC should identify the most appropriate of its current properties either for further mortgaging, to the extent servicable by net cash flows, or outright sale of its interests, in order to capitalize further redevelopment operations.

5. KRC's scale of activities has been too small to make a serious change in the perceived investment climate of the area.

RECOMMENDATIONS:

- KRC should seek further funding, from local investors and businesses, the Government of Jamaica and USAID for expanding its scale of activities.
- KRC should continue to focus its efforts in the original target area to maximize impact and the likelihood of internalizing the resultant benefits.

6. KRC financial planning has been too haphazard and too external to the organization, leading to cash flow problems, lack of a consistent strategy about uses of funds and financing of projects and operations, and lack of a long-term business plan for the corporation.

RECOMMENDATION:

- KRC should hire a senior, experienced financial planner/deputy director to take on these critical functions.

7. KRC activities have not received adequate support from functions government must provide, including enforcement of zoning regulations, planning, land acquisition, clearance of derelict buildings, and tax and other incentives.

RECOMMENDATION:

- KRC and USAID should seek out the most feasible forms of providing this basic support through discussions with the Office of the Prime Minister, the Urban Development Corporation (which could perform some of these functions), and the Town and Country Planning Authority.

8. KRC activities in Inner Kingston are profoundly affected by the further development of the Kingston Waterfront under the authority of the Urban Development Corporation, by UDC handling of the lands it owns, and by the decisions made by the Government of Jamaica and UDC regarding development of various facets of a rejuventated tourism sector for Kingston.

RECOMMENDATION:

- KRC should seek the financial and other support necessary to fulfill a planning and development catalyst role in the future of Inner Kingston. UDC should develop a strategic plan for the Waterfront in conjunction with KRC.

9. UDC has provided an important coordinating function in maintaining a regular planning process, but has fallen far behind in other elements of its Cooperative Agreement on this project. This has become especially critical for the sewerage system improvements along Harbour Street; the delays now directly affect the Industrial Center development and other projects in the pipeline.

RECOMMENDATION:

- The Executive Director of UDC should be approached to assure that these project elements gain an appropriate priority in an organization quite capable of carrying them out.

Appendix A

Scope of Work for the Evaluation

Appendix A

SCOPE OF WORK

The evaluation should specifically address the following questions, inter alia:

1. Project Status and Achievements

- To what extent have the project objectives been achieved? What project accomplishments are likely to be achieved by September 1989? When is it likely that all project activities will be completed?

- What have been the major constraints and problems to project implementation for (1) KRC and (2) UDC and what changes should be made in project operations to improve KRC and UDC performance?

- To what extent has KRC been able to achieve the PP cost recovery expectations and what are the cost recovery expectations (both from direct and from external benefits) that can be anticipated over the next few years?

- To what extent were the PP expectations about the demand for space, development in downtown Kingston and the character of the real estate market realistic and accurate?

- How have KRC, UDC and Project objectives been modified during the implementation period and to what extent are these changes facilitating or inhibiting the achievement of the original project objectives?

- How effective have KRC, UDC, UI and USAID been in carrying out their respective project roles and what might be done to improve their performance in the future?

2. Future Role for KRC and UDC

- Based on past experience, what should be KRC's role in downtown development over both the short run and over the next five years?

- What financial, institutional and technical resources will KRC require to play the role proposed? What financial and development strategy should KRC adopt to assure that it can continue to play a leadership role in the improvement and development of downtown?

- What special opportunities or programmatic gaps exist in KRC's development program or strategy?

- Given KRC's proposed future role, what changes are recommended in terms of KRC's staff and operations, programs, objectives, institutional arrangements over the short run and over the next five years?

- How can UDC's land and building resources be better integrated into KRC's development program and how can coordination between UDC and KRC be improved?

- What role, if any, should the GOJ play in supporting KRC activities?

- What appear to be the KRC or UDC projects or activities with the greatest potential and opportunity for improving the environment or investment climate in Inner Kingston?

- What level and specific types of technical assistance will be required by UDC and KRC during the remainder of the project? Can they be procured locally or is US TA necessary?

3. Project Findings

- How have project funds been allocated among the components and subcomponents of the project?

- Can the PP objectives for the project be achieved with available project funding? If not, what other sources of funding are available to achieve the project objectives?

- How should remaining AID grant funds be allocated between KRC, UDC and UI?

- What opportunities, if any, are there to use other AID and other donor resources to support KRC activities and the objectives of the Inner Kingston Project?

4. KRC as a Model Development Entity

- What have been the organizational/operational and external factors that have enabled KRC to implement its part of the Inner Kingston Project?

- To what extent, if any, is KRC a useful organization model that could be applicable to other communities in Jamaica and other countries now receiving AID assistance?

- To what extent, if any, is KRC a useful organizational model for developing and implementing projects that might be developed in response to AID's new urban strategy?

Appendix B

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APPENDIX B

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Appendix C

Individuals and Agencies Contacted

APPENDIX C

INDIVIDUALS AND AGENCIES CONTACTED

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Robert Dubinksy, RHUDO

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- Sonia E. Jones, Attorney
- Douglas Fletcher, Myers Fletcher and Gordon
- Carl Wright, Deputy General Manager, Victoria Mutual Building Society
- Pat Rousseau, Myers Fletcher and Gordon
- Joe Myer Matalon, Industrial Commercial Development
- Mabel Tenn, Grace Kennedy Ltd.
- Vayden McMorris, McMorris Sibley and Robinson

Urban Development Corporation

Gloria Knight, Executive Director

Clinton Woodstock, Deputy Director

John Algrove, Chief Engineer

Carl Binger, Project Manager

Winsome Roach, Project Officer

Claire Sutherland, Project Officer

Neighborhood Organizations

Trevor Edwards, Hanover Baptist Church

Garnet Roper, First Missionary Baptist Church

Tenants of KRC-Developed Machado Industrial Complex

Dorothy Ober, La Moda Manufacturing

David Sykes, Manager, Instrument Transformers, Inc.

Local Officials

Blossom Samuels, Chief Town Planner

Other Local Contacts

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Joe Matalon, Industrial Commercial Development, Ltd.

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