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FINAL REPORT
EVALUATION OF THE
INNER KINGSTON DEVELOPMENT PROJECT

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LIST OF ACRONYMS

CIDA	Canadian International Development Agency
DKDP	Downtown Kingston Development Plan
DKMD	Downtown Kingston Management District
GOJ	Government of Jamaica
IDB	Inter-American Development Bank
JLP	Jamaica Labour Party
KRC	Kingston Restoration Company
KRCDF	KRC Community Development Foundation
KRHC	Kingston Restoration Housing Company Limited
KSAC	Kingston and St. Andrew Corporation
MPM	Metropolitan Parks and Markets
NAD	New Activity Description
NGO	Non Government Organization
NHT	National Housing Trust
NTA	National Training Agency
NUCO	Network of Urban Community Based Organizations
ODA	Office of Development Assistance
PACD	Project Completion Date
PNP	People's National Party
RHUDO	Regional Housing and Urban Development Office
UDC	Urban Development Corporation
USAID	United States Agency for International Development
USIF	Urban Social Investment Fund
YESS	Youth Educational Support Systems

ABSTRACT

The Inner Kingston Development Project (the Project) is a ten year urban economic and physical development initiative begun in July 1986, designed to revitalize the downtown core of Kingston, Jamaica, and provide economic growth and job generation. The two principal implementing agencies are the Kingston Restoration Company Limited (KRC), a private non profit, public-purpose company, and the Urban Development Corporation (UDC), the primary developmental parastatal organization of the Government of Jamaica (GOJ).

The Project was designed to reverse the negative economic trends downtown since the mid 1970s and to increase private investment and employment opportunities. The evaluation determined that KRC contributed many successes and some shortcomings in achieving these objectives. In terms of overall KRC Project expenditures, to date fewer USAID funds have been invested in income generating activities and more in non income producing activities than were originally projected (40 percent versus 10 percent). Non income generating projects have helped to establish KRC's credibility and further its revitalization objectives.

In spite of its accomplishments, KRC has not been able to achieve everything it aspired to. KRC has not been able to generate enough income from its activities to support its operating expenses. Also, KRC's income from fees and the sale and operation of properties has been less than projected.

UDC's performance is disappointing in that some projects were not completed (the Urban Bus Terminal and the West Kingston Markets project) and most of its USAID-funded projects that were completed finished substantially behind schedule and at a far higher cost than budgeted.

The third Project component evaluated was the use of USAID directed funds supporting Project implementation. Both the Urban Institute (USAID's technical assistance contractor for the Project) and USAID staffs have played significant roles in helping KRC develop and implement its revitalization activities. These activities have had many positive impacts and were instrumental in facilitating the institutional development of KRC.

In summing up the overall success of the Project, the results from such a relatively small amount of USAID funds are impressive. USAID has obtained good value for the funds it has provided.

EXECUTIVE SUMMARY

Background and Program Design

The Inner Kingston Development Project (the Project) is a ten year urban economic and physical development initiative, begun in July 1986. It is designed to revitalize Kingston, Jamaica's downtown core and provide work space for economic growth and job generation. Inner Kingston is a 100 block area bordering the Kingston Harbour waterfront and the historic center of the city for commercial activity and government offices.

The Project is funded by US\$18 million of USAID loan and grant funds and an estimated US\$15 million of counterpart funds from the Jamaican public and private sectors. USAID provided US\$15 million during Phase I of the Project and an additional US\$3 million for a second phase approved in 1991.

The two principal implementing agencies are the Kingston Restoration Company (KRC), a private non profit, public-purpose company, and the Urban Development Corporation (UDC), the primary developmental parastatal organization of the Government of Jamaica (GOJ). When the Project began, KRC was an organization with no permanent staff, a modest budget, and no track record. By contrast, UDC had a large and technically proficient staff, was actively involved in large scale development throughout the country, and owned large tracts of vacant land and property in the downtown area.

The Project was designed to reverse the negative economic trends and disinvestment that had been occurring downtown since the mid 1970s and contribute to Jamaica's need for increased private investment and employment opportunities. The rationale in 1986 for focusing the Project on Inner Kingston was threefold: (1) it had the highest rate of unemployment in the area, (2) reversing its deterioration would help to rekindle investment expectations nationwide, and (3) the area offered significant opportunities for cost savings in development because infrastructure systems were in place and vacant building shells could be rehabilitated and put to productive use economically.

The overall strategy of the Project was to make attractively priced industrial and commercial space available in rehabilitated buildings downtown. The rehabilitated space would generate new jobs and trigger increased private investment and a self sustaining restoration process that would revitalize the area and the real estate market.

Roles of the Implementing Organizations

The roles the Project design assigned to KRC were to demonstrate that vacant and vandalized properties could be successfully and profitably rehabilitated and put to productive use and to provide financial incentives and technical assistance to private building owners and investors.

Project elements were designed to maximize the involvement of the private sector and were concentrated for impact in key development areas which were intended to act as anchors for subsequent, broader scale revitalization. KRC also was to provide needed community services to the 6,000 person low income, deteriorated residential area in the eastern section of the Project Area, so that the residents also would benefit from the revitalization process.

UDC was to construct essential infrastructure improvements and transportation facilities which would complement other public improvements and provide a development framework for private investment. The two major USAID-funded UDC projects were a transportation complex for both urban and rural buses and a new trunk sewer and pumping station for Harbour Street.

A third Project element was controlled by USAID and funded extensive technical assistance and research to help USAID effectively manage and monitor the Project, provide institutional development support to KRC and UDC, report on the dynamics of the downtown economy and real estate market, and assess the impacts the Project was having on the area.

Project Financial Plan

The original Phase I Project financial plan provided grant funds (under a cooperative agreement) of US\$6.9 million to KRC; US\$7.6 million (US\$5 million in loan funds and US\$2.6 million in grant funds) to UDC; and US\$475,000 for management, monitoring, and other USAID directed activities. Ninety-three (93) percent of Project funds were to be used for physical improvements.

The additional \$3 million of funding in Phase II, authorized in 1991, was expected to be used only by KRC, except for US\$725,000 which was budgeted for various Project support and monitoring activities. The Phase II Project Paper concluded that the Project was making good progress in meeting its goals, but KRC required additional capital resources and more time to achieve the results that the Project envisioned. USAID budgeted half the funds to finance a few high impact public-private projects to help reshape the investment climate downtown. In Phase II KRC was to shift its emphasis from being an owner/developer to a packager/broker. Phase II also extended the Project completion date for KRC to June 1996 and for UDC to September 1994.

The overall Project design anticipated that KRC investment resources would be supplemented by KRC reflows (e.g. rental income, capital gains, and loan proceeds) and development fees and that KRC could cover the cost of its own operations beginning in 1991. It was projected that KRC would be able to recover a minimum 70 percent of the funds it invested in development projects.

Status of The Project Today

To date a total of US\$16.1 million in USAID funds has been expended under the Project: US\$9.3 million by KRC, US\$5.4 million by UDC, and US\$1.3 million for USAID manage-

ment and support costs. About US\$6.2 million has gone for private income generating investments and the remaining US\$9.6 million for infrastructure improvements and non income producing projects and activities. About US\$1.3 million of UDC funds were not used and have been de-obligated from the Project.

Findings and Achievements

Kingston Restoration Company

KRC continues to implement its multi-purpose physical and public-purpose developmental program and can point to many successes and some shortcomings. In terms of overall KRC Project expenditures, to date fewer USAID funds have been invested in income generating activities and more in non income producing activities than were originally projected. About 60 percent of KRC's funds have gone into investments and 40 percent into grants, public services, operating expenses, and other non income generating expenses. By contrast, more than 90 percent of USAID's grant to KRC was budgeted for income generating projects. There are many reasons for this: KRC and USAID gave increasing importance to community development programs and technical assistance, promotional and public relations activities became a central strategy for promoting downtown investment, more funds than anticipated were needed to finance KRC's operating costs, and feasible investment projects were more difficult to complete than anticipated. Non income generating projects have helped to establish KRC's credibility and further its revitalization objectives.

Among its principal accomplishments in terms of income generating projects, KRC:

- Rehabilitated three major industrial complexes that have led to the generation of 2,361 new jobs.
- Shifted its emphasis in Phase II from owner/developer to project packager and real estate broker.
- Assembled land that was then sold to a major corporation which has invested US\$3 million in rehabilitating derelict properties into modern commercial space and expanding its headquarters facilities.
- Managed the packaging, rehabilitation, and sale of two multi-tenant building complexes to private investor groups and is in the process of completing a third such project.
- Under contract to GOJ, rehabilitated Public Buildings West for GOJ offices.

Concurrently, KRC has undertaken many successful public-purpose, non income generating initiatives including:

- Carried out a community development program to provide social, health, recreation, and employment services to Inner Kingston residents, in association with a network of local service providers.
- Designed, managed, and implemented street and facade improvement programs on King, Duke, and Harbour Streets.

- Made 51 grants totalling J\$3.7 million under its Restoration Grants program to small property owners who in turn invested J\$34 million in building facade improvements and repairs.
- Completed the Downtown Kingston Development Plan (DKDP).
- Carried out a media campaign to market the benefits of Inner Kingston, attract investment and people to the area, and focus GOJ attention on the needs of Inner Kingston (including relocating government offices to the area, supporting the creation of the Downtown Kingston Management District [DKMD], and providing tax incentives for investment).

In spite of these accomplishments, KRC has not been able to achieve everything it aspired to. Two areas are particularly noteworthy, based on the original Project design. First, KRC has not been able to generate enough income from its activities to support its operating expenses. However, KRC has prepared a Business Plan to more systematically match future expenditures and revenues. Second, KRC's income from the sale and operation of properties and fees has been less than projected, and KRC may not be able to achieve the desired 70 percent recovery of its capital investments, taking into account inflation and long holding periods. KRC, however, has been able to recover more than 100 percent of its investments in recent projects. KRC's ability to achieve cost recovery on its investments in the future will be significantly affected by Jamaican macro-economic conditions.

Urban Development Corporation

UDC was expected to be KRC's partner in the Project and build important strategic infrastructure projects. Over the course of the project, the scope of UDC's activities had to be reduced to pay for cost overruns because UDC was not able to complete its project elements. US\$682,000 was reallocated from UDC to KRC to carry out street improvements on King and Harbour Streets. UDC expended a total of US\$5.6 million, of which US\$1 million was grant funded and US\$4.6 million loan funded. A total of US\$2.2 million of loan and grant funds was used for the bus transportation facility, and US\$2.7 million of loan and grant funds went for the Harbour Street sewer and pumping station. The remaining US\$7 million was used for the purchase of traffic lights, training, technical assistance, and studies.

The principal accomplishments of UDC include:

- Completed the Rural Bus Terminal element of the transportation complex.
- Virtually completed the Harbour Street trunk sewer and pumping station and resurfacing of Harbour Street.
- Installed traffic signals at key downtown intersections.
- Promoted Project revitalization objectives by making 38-40 Harbour Street available to KRC for rehabilitation.
- Energized downtown revitalization through its support of the DKDP and the DKMD.

UDC's performance is disappointing in several respects: all its USAID-funded projects were completed substantially behind schedule and at a far higher cost than budgeted; the Urban Bus Terminal had to be eliminated from the Project because of lack of funds; building the Harbour Street Sewer disrupted traffic and business for several years and had a negative impact on private investment; UDC was unable to market the development of the vacant land it owns along the waterfront (largely because of economic factors beyond its control); and UDC has not been able to complete a major western anchor of Inner Kingston—the West Kingston Markets project.

USAID Directed Funding

The third Project component is USAID directed funds that have been used to support Project implementation. To date these funds have been used for a variety of monitoring, technical assistance, research, and project support functions. For example, changes in real estate market conditions, investment, and job development have been tracked periodically. Both the Urban Institute (USAID's technical assistance contractor for the Project) and USAID staffs have played significant roles in helping KRC develop and implement its revitalization activities. The Urban Institute provided some technical support to UDC and monitored changes in Inner Kingston. These activities have had many positive impacts and were instrumental in facilitating the institutional development of KRC.

Assessment of Results: Kingston in 1994 Versus 1986

When the Project began in 1986, Inner Kingston showed extreme signs of deterioration and disinvestment. The decline had been occurring as a result of the severe social and political conflict that had occurred in the residential part of Inner Kingston over the previous decade, the high rate of crime, the relocation of businesses and government offices to New Kingston, the weak national economy and lack of demand for building space, the poor quality of public services, and the blighting effect of increasing numbers of vacant and vandalized structures. The area had the highest rate of unemployment in the city. Buildings that KRC would later rehabilitate under the Project were occupied by homeless families (Public Buildings West), by gunmen (the Knitting Mills), and much of a main east-west artery (Harbour Street) was lined with derelict building ruins and weed-infested lots occupied by squatters. Periodically, the Harbour Street Sewer would back up and flood the street with sewerage.

Today Inner Kingston is different in many respects. GOJ has built or renovated a number of major infrastructure projects which anchor the area including the central park (St. William Grant Park), a new Rural Bus Terminal, a new trunk sewer along Harbour Street, and the rehabilitated government office buildings (Public Buildings West and Public Buildings East). King Street, Inner Kingston's main commercial street, and many of the buildings along it have been refurbished with KRC assistance. KRC has rehabilitated three large factory complexes and helped to generate new jobs. Fifty-one properties have been upgraded with KRC financial assistance and many others without help from KRC. The ICD Group of Companies (ICD) has invested more than US\$3 million in expanding and upgrading its headquarters and developing space for subsidiaries along Harbour Street. An Urban Institute study

suggests that rents and values downtown have increased at a faster rate than in New Kingston.

The residential area remains low income and the housing stock is derelict. KRC and other non government organizations (NGOs) are providing useful health, education, and employment services to the residents. New jobs have been located downtown and unemployment has been reduced. Through KRC's community development efforts, residents have been sensitized to their roles and responsibilities (i.e. "personal ownership") for improving their living conditions.

Compared to 1983-86 (before the Project began), average private sector investment in real estate on an annual basis has increased 300 percent in real terms during the years 1986-94. There is a general consensus among persons interviewed for the evaluation that conditions have improved, property values are rising, and the future of Inner Kingston overall is promising. On the other hand, a recent Urban Institute survey found that most businessmen thought the momentum of recovery slowed during the period 1991-93, but it is not clear whether the results reflect the views of the overall business community about Inner Kingston or reflect the views of the small business owners in some sections of the downtown area, general frustration with economic conditions, and UDC's failure to complete the Harbour Street Sewer.

These positive conclusions about changes in Inner Kingston are not to suggest that the revival of the area is complete or self sustaining. The improved market conditions and environment that have occurred are important but fragile. Crime and perception of crime remain important problems. The Oceana Hotel, the only hotel in the area, has closed. Many major investors are still skeptical of Inner Kingston's future. Major public improvements remain incomplete because of lack of GOJ funding (West Kingston Markets project and the Urban Bus Terminal facility). The low income residents of Inner Kingston remain extremely poor, and most live in dilapidated housing.

Overhanging the future of Inner Kingston is the Jamaican economy. The Project was begun during a period of economic expansion and increased exports, which helped to fuel the revitalization process. In recent years, the economy has contracted, the stock market has slumped, inflation and interest rates have skyrocketed, and the high rates offered by GOJ Treasury bills have made real estate investment unattractive. The period between 1991 and 1993 was a period of economic contraction—the ability of KRC to develop new projects and the extent of investment in Inner Kingston reflect this environment. Recently, economic trends have been positive. Clearly, a hostile economic environment would severely affect the Project's ability to attain its objectives.

Project Results and Impacts

The Inner Kingston Development Project is a multi-faceted and complex urban economic development initiative, which, by nature, does not readily lend itself to evaluation. The Project has numerous objectives, many of which are in conflict with one another. When the

Project was designed there was extensive debate within USAID and with its consultants about how to measure Project success and impact. USAID chose indicators that were judged reasonable and appropriate, but at the same time they are incomplete and illustrative. They fail to capture many positive results of the Project, particularly changes in attitudes and perceptions. **Figure 1** lists the USAID project indicators and summarizes the extent to which they have been accomplished. These data derive largely from the periodic monitoring and impact assessments carried out by the Urban Institute. These assessments provide a good picture of the changing conditions of Inner Kingston over time. However, they are not able to quantify the extent to which the Inner Kingston Development Project affected the changes that have occurred downtown since 1986.

In terms of the general indicators of success, the Project has substantially achieved the results intended. Of particular importance is the Project's role in helping to create an estimated 4,614 jobs, many of them for residents of Inner Kingston since 1986. Private sector investment activity has increased substantially over the Project period (despite a substantial decline in 1991-1992).

KRC itself has been able to meet or exceed many of the targets that were set for it. It produced 155 percent more space than projected under its Restoration Grants program and generated J\$34 million in building improvements over a four year period. While KRC did not develop as much industrial space as planned, the target was illustrative and KRC's accomplishments are substantial. The goal of getting the private sector to invest four times KRC investments does not appear to have been reached, but data on the extent of private investment is incomplete. According to the available data, the private sector has invested 2.25 times KRC's investments—a substantial percentage of the target. KRC has invested US\$6.4 million in real estate projects (including funds provided under another project to purchase and rehabilitate the Denoes & Geddes brewery), whereas the private sector has invested an estimate US\$14.4 million. KRC's results in terms of job generation and delivery of social services have equaled or exceeded expectations.

The results of UDC efforts are disappointing. UDC was not able to complete all infrastructure projects that the Project planned, and the projects that were completed were finished far behind schedule and far over budget. Still, new major infrastructure elements are in place today.

While the impacts of KRC efforts are far more wide ranging than originally envisaged, KRC has not achieved all the expectations of the Project designers. Although the economic development environment was positive when the Inner Kingston Development Project began, the period 1991-93 was a period of economic contraction and very high inflation. These conditions were important constraints on KRC. KRC has not been able to complete as many development and income generating projects as anticipated. It has not been able to generate the real estate income and fees that were expected. Consequently, KRC has not been able to become financially self sufficient as was originally hoped.

**FIGURE 1
PROJECT DESIGN SUMMARY
INNER KINGSTON DEVELOPMENT PROJECT PHASE I AND PHASE II**

Project Indicators	Results Achieved as of 10/1/94
I. General	
1. Private investment 4 times level of KRC investment	Private investment 2.25 times level of KRC investment ^a
2. Increase in Inner Kingston land values and rents in real terms	No data available
3. Downtown Plan developed and adopted by UDC	Plan completed; not yet adopted by UDC
4. Occupancy rates at Oceana and Convention Center increase	Oceana closed
5. 3,500 jobs created in the Project Area	4,614 jobs created
II. Kingston Restoration Company	
1. 324,500 square feet of factory space refurbished	166,000 square feet completed
2. 71,500 square feet of commercial space refurbished	75,500 square feet completed ^b
3. Three Strategic Projects under development/ completed (Phase II)	One project under development ^c
4. 100,000 square feet of business space refurbished by others with KRC financial assistance	255,200 square feet completed
5. 125 YESS participants	160 participants
6. 35,000 annual health clinic visits	30,000 annual health clinic visits
7. 2,500 jobs created in KRC developments	2,361 jobs created
III. Urban Development Corporation^d	
1. Transportation terminal facilities completed	Rural Bus Terminal completed ^e
2. Pumping station and Harbour Street Tunnel Sewer completed	Pumping station and sewer expected to be completed 12/31/94
3. Traffic signals installed at four intersections	Traffic signals completed at 12 intersections

^aBased on Urban Institute surveys. Data on investment is incomplete and understates the level of private investment that is taking place.

^bAn additional 74,500 square feet of commercial space is under construction (Public Buildings West) and should be completed in the next few months.

^c104, 108, and 110 Harbour Street.

^dDuring Phase I a program to replace water mains and repair roads and sidewalks, and funds to finance the building of an Urban Bus Terminal, were deleted from the UDC project to finance unanticipated cost overruns in building the Rural Bus Terminal, pumping station, and Harbour Street Sewer, and to finance KRC's street improvement program for King and Duke Streets. UDC was also expected to build 100,000 square feet of commercial space as part of the Urban Bus Terminal project.

Based on current financial projections, KRC can continue to operate with available and projected funds for three to four years. If KRC sells its investments it can continue to fund its operations from capital for an additional four to five years, but KRC currently lacks the financial and capital base to ensure its long term future without additional infusions of outside funding support. Cognizant of this, KRC has developed a Business Plan and strategy to identify new potential funding sources. There are many reasons that KRC has not become self supporting, the major ones being the difficulty of developing profitable real estate projects given all of the economic and developmental constraints, KRC's decision to put substantially more funds into non income generating activities than had been planned, and KRC's difficulties in developing the staff expertise to handle its real estate activities in an aggressive profit generating mode.

At the same time, KRC (and the Project) have achieved many positive outcomes not adopted specifically as goals of the Project. First, KRC has developed the reputation and expertise that has made it a leader in shaping the revitalization process downtown. Starting with neither staff nor an office in 1986, KRC has become an important coordinator and initiator of public and private sector investments. It is recognized for its independence and political neutrality; is looked to by GOJ for policy advice; and is regularly consulted on matters of public policy and downtown problems by GOJ, the Office of the Prime Minister, business and investment leaders, and international donor agencies. Because of KRC's demonstrated effectiveness, GOJ has asked KRC to take responsibility for a number of difficult projects, both in Inner Kingston and in other parts of Jamaica. Second, GOJ has given downtown renewal priority attention in large part because of KRC activities. Third, the Project has become a model program in terms of its comprehensive approach to urban problems and its impacts. Because of KRC's effectiveness as a public-purpose private institution, it has received special attention from USAID, the World Bank, and other international donors.

The designers of the Project hoped that it would trigger enough public and private investment to create a self sustaining real estate market. In 1989, USAID's evaluation contractor, Abt Associates, pointed out that it was unrealistic to expect a project like the Inner Kingston Development Project to reverse the downward trends of many years and eliminate all the constraints that discouraged investment in a few years. Abt pointed out that based on U.S. experience, a minimum of ten years and probably much longer was required for such a redevelopment program to be successful. Those comments were sound. Since 1989 substantial further progress is evident, and conditions downtown have continued to improve. Nevertheless, many problems remain, and investors and businessmen still retain some skepticism about the future of the area. The efforts of KRC and those interested in Inner Kingston need to be continued and supported to further stabilize and improve the downtown area.

In summing up the overall success of the Project, one way to evaluate the Project in its entirety might be to ask whether USAID believes it would be cost effective to provide about US\$1.6 million a year (\$1 million annually to KRC) over eight and a half years to achieve the wide ranging and important results and impacts on downtown Kingston that have been accomplished by the Project and are noted above. By almost any perspective, the answer

would have to be positive. The results from such a relatively small amount of USAID funds are impressive. USAID has obtained good value for the funds it has provided.

The Future of Inner Kingston

While Inner Kingston remains an important center for commerce and business, the headquarters and offices of many corporations, banks, and insurance companies have moved out of the area. Substantial movement of these firms back downtown in the foreseeable future is not likely, although several new financial services offices have located downtown. Inner Kingston, however, remains the center for the law courts and lawyers and an important government office center. It also is the primary shopping and wholesale center for lower income residents of Kingston and people coming to Kingston from rural areas to sell or buy goods and agricultural produce. At present, it has limited attraction as a tourist destination (the art museum and craft market are downtown) but there are many efforts underway to enhance its tourism potential.

For the foreseeable future, there should be efforts to support the businesses that currently are located downtown and help them expand, rather than trying to re-create Inner Kingston as the business center for the country, as it used to be. There are significant opportunities to take advantage of the relatively low price of rehabilitated office space and convince more government agencies to relocate downtown. Low priced office and factory space will continue to attract new businesses. Various public improvements need to be completed (e.g. West Kingston Markets and the road to the airport) and there may be opportunities to promote some new developments on the large tracts of vacant land that UDC owns. Both the public and private sectors need to target assistance to helping residents of the area improve their living conditions and earning capacities. Continuing attention to improving security and public services and facilities will help improve the area's image and climate for investment.

Recommendations

The evaluation makes the following recommendations to USAID, KRC, and UDC:

USAID

- The unspent USAID funding budgeted for KRC is an essential part of KRC's financial resources for the next few years. **USAID should fully fund KRC's budget for the Project.** Large cutbacks in budgeted funds would have a substantial negative impact on KRC.
- **USAID should consider KRC's request to reallocate Strategic Investments funds to other activities.** Highest funding priority should be given to continued funding of KRC's core operations (e.g., promotion, marketing, lobbying, and catalytic investment activities) and capitalization of the KRC Community Development Foundation.
- **If additional USAID funds are made available, these funds should be directed, in descending order of priority, to: (1) high impact community development activities (e.g., expansion of the YESS Program, micro enterprise/training activities, and the**

Network of Urban Community Based Organizations [NUCO]); (2) support and expansion of the Downtown Kingston Management District (DKMD); and (3) implementation of the Vision 2020 Plan. These specific activities are further explained elsewhere in these Recommendations.

- **The Project is scheduled to end in less than two years. USAID and KRC ought to be planning how to prepare KRC for the completion of the Project.** Specifically, between now and the PACD, KRC should make every effort to strengthen its financial position. USAID should require KRC to regularly update its Business Plan; carefully monitor its cash management practices; and take steps to ensure KRC meets its revenue, fundraising, expenditure, and project development targets. USAID should work closely with KRC to ensure that properties under development are completed and sold and help KRC develop a strategy to sell its industrial properties. The proceeds from these sales should be placed in a reserve account, the proceeds of which will be dedicated to funding KRC's future operating expenses and programs. Flexible guidelines should be established by USAID and KRC for the use of the reserve funds, but cash management policies should be based on preserving KRC's asset base.
- **USAID should begin to discuss now with KRC what conditions and agreements it will want to have with KRC after the PACD.** Because KRC will have a substantial capital base (in cash or real estate assets) when the Project ends, USAID has legitimate concern about how those assets will be used. USAID should begin negotiating a post PACD understanding with KRC about what USAID's role will be in programming and controlling KRC assets. At the same time, USAID should vest control of the assets in the KRC Board. The following guidelines for the agreement are recommended: (1) the agreement should be in effect for a defined period (e.g., five years) after the PACD, (2) the KRC Board should agree it will not revise KRC's by-laws without USAID concurrence in any changes, (3) KRC should agree to use all KRC resources to further the objectives of the Inner Kingston Project, (4) KRC should submit an annual budget proposal to USAID for comment and USAID and the KRC Board should meet annually to discuss the budget, and (5) KRC should submit an annual report to USAID documenting how KRC funds were spent.
- **KRC has demonstrated that it is an effective implementing agency and can manage resources and make good use of USAID funds. USAID should continue its close working relationship with KRC during the Project period and after the PACD. If additional funds become available, USAID should consider providing additional funding to KRC to support Project objectives or if KRC is the logical and most expert implementing agency.**
- **USAID should continue to support KRC's multi-dimensional role in Inner Kingston.** A unique feature of KRC's revitalization strategy is its multi-faceted nature, which attempts to deal with the multiple factors inhibiting investment and constraining economic growth. In implementing the strategy, KRC both undertakes its own projects and encourages other public and private entities to develop parallel and supportive projects to revitalize downtown Kingston. **The evaluation recommends that KRC continue to act as a catalyst/packager/broker for real estate development; an inter-agency coordinator and provider of services to the low income residential neighborhood; and a**

promoter and marketer for downtown Kingston to the public, the investment community, government, and international donors. Not only have KRC's individual activities been successful in themselves, but their cumulative positive effects have significantly helped energize the redevelopment process. At the same time, the evaluation suggests that in the future KRC should rely primarily on other investors to finance redevelopment projects and that KRC's role should be a catalytic one. The evaluation also recommends that KRC get out of the property management business unless its profitability as an income generating activity can be demonstrated. With these exceptions, the evaluation recommends that KRC continue to perform the multiple roles that have made it so effective in the past.

- **USAID should consider increasing funding for KRC community development activities.** Only a small portion of total expenditures for the Project have been used for community development activities. USAID should not terminate funding for community development activities in Inner Kingston. Although community development activities are generally not income generating, the long term economic development of Inner Kingston cannot take place without parallel improvements in the living conditions of its residents.
- **USAID should consider providing additional support for the Downtown Kingston Management District (DKMD).** The DKMD appears to have had a successful start, as it is currently supported by an incorporated Board of Directors consisting of active downtown Kingston business owners. In many U.S. cities, downtown management districts have proved to be excellent models for providing important supplemental services, such as sanitation and safety management and marketing of downtown attractions. If USAID has funds available, this support could be an important factor in furthering downtown revitalization. The Urban Institute's recent business survey identified public safety as a continuing concern for the business community. Specifically, USAID should consider providing additional financial support for the DKMD's public safety program.
- **USAID should consider funding follow-on activities for the Vision 2020 Downtown Plan.** Although the preparation of the Plan involved unprecedented community participation, the relevance of some of its recommendations to Kingston could be questioned. Given the level of funds already invested in preparation of the Plan, it would be productive for USAID to fund some additional follow-on activities to narrow the scope of the Plan and to formulate a specific course of action for its implementation. This information should be made available to investors, government offices, and the public, as it could help to stimulate interest in the downtown area.
- **Given the current level of KRC's resources, USAID should help KRC develop a plan to remain effective over the medium term rather than focusing attention on KRC's long term financial sustainability.** KRC's current level of resources are inadequate to ensure the long term sustainability of the organization. The evaluation estimates that US\$500,000 a year is the minimum KRC needs to pay for core operations and fund essential services and activities. Without that level of expenditure, KRC cannot be an effective catalyst for change. Given that assumption and KRC's sale of its real estate assets, it appears that KRC will have sufficient funds to continue to carry out an effective program for a minimum of seven years. Over that period KRC should be able

to play a key role in creating a self sustaining environment for private investment and economic growth. This does not mean that the redevelopment process will have been completed or that there will no role for KRC seven years from now. KRC's long term sustainability will be determined in large part by its ability to generate sufficient operating resources. If KRC were able to raise additional funds, there would be many opportunities to spend them effectively on addressing physical and social problems of the low income residential community downtown. Even if KRC decapitalizes itself in seven years, its accomplishments will have been more than worth USAID's investment in the Inner Kingston Development Project.

- **While USAID is encouraged to continue support to KRC, USAID should not encourage or fund KRC to take on new projects that will undercut its efforts in Inner Kingston.** KRC's management and technical resources are more than challenged by the demands of Inner Kingston.
- **USAID should help KRC identify other sources of financial and technical support for the future and encourage other donors and the GOJ to support KRC.** With the completion of the Inner Kingston Development Project, KRC will have to be creative in raising funds to support its core operations and programs. USAID can play an important supportive role in helping KRC generate new sources of revenue.
- **USAID directed technical assistance and management support from USAID have been important factors in the Project's positive results. These activities should be continued to the extent these resources are available.** This support should be targeted to help KRC revise its Business Plan, address its management and financial problems, improve staff expertise, and develop a strategy to sell its properties on a timely basis.
- While some resentment and frustration remain due to USAID's decisions not to fund completion of the West Kingston Markets project or extend the Harbour Street Sewer, **USAID should continue to make efforts to improve its working relationships with UDC. USAID should press UDC to put the new Harbour Street Sewer into operation.**
- **Urban development projects in the United States analogous to the Inner Kingston Development Project typically require 20-25 years to complete. USAID should keep this experience in mind in evaluating the success and impacts of the Project.**

KRC

- The goal of financial self sufficiency without some support from donor organizations (including USAID) or the Jamaican private and public sectors is not realistic for KRC. An economic, physical, and social development agency like KRC should not be expected to generate internally all the funds it needs. KRC's public-purpose nature and development goals prevent KRC from maximizing investment income and profit. **KRC's primary objective today should be to undertake projects or activities not based on profit or income considerations but which help to create a positive investment climate and serve the overall interests of Inner Kingston and the Kingston community.** At this point in the cycle of revitalization most of KRC's projects and activities should be of a non income generating or catalytic character.

- KRC has developed a Business Plan to analyze its financial situation and chart its financial strategy. **KRC should review and periodically update its Business Plan and use it as a tool to manage its resources.** If expected revenues are not forthcoming KRC needs to act quickly to identify other sources of income or reduce costs. It should allocate adequate staff resources to generating additional revenue sources for its operating costs and for programs in Inner Kingston.
- KRC has not adequately defined its development strategy, taking into account its current and likely financial resources. KRC needs to focus its energies. **KRC should continue to clarify its role in an overall strategy for improving Inner Kingston. KRC should devote all of its energies and financial resources to Inner Kingston, unless there is a compelling and overriding reason to take on other responsibilities.** KRC needs to continue to focus its efforts and maintain its reputation of delivering on its promises. KRC needs to clarify what are the most cost effective uses for the limited amounts of funding it has available. Given its limited resources, KRC needs to more effectively monitor its financial resources and operating costs.
- Many of KRC's most successful activities have been public-purpose and non income producing. **KRC ought to consider allocating some funds if available (from the Strategic Investment budget) to the Restoration Grants and Street Upgrading programs, both of which have effectively leveraged private resources and have widespread visual impacts.**
- **The position of KRC Deputy Executive Director should be filled.** KRC needs to devote more attention to real estate and development problems. KRC should have a deputy director with clearly defined responsibilities and hire a development officer experienced in real estate (if necessary on a part time or incentive basis). Alternatively, someone could be hired to handle finance and accounting responsibilities on a day to day basis, and the current comptroller could devote more time to development and real estate matters.
- **KRC should not get involved in any major development project unless most of the funds will be provided by other investors and a financial analysis demonstrates it will earn a market rate of return.** Conditions downtown have changed since 1986 and KRC's role now should be that of project packager/catalyst/broker. In deciding which projects KRC should focus its attention on, past history suggests that KRC should avoid complex, large scale projects that require KRC to invest an inordinate amount of time and money; that do not have identified funding sources, or whose feasibility depends upon parliamentary action. KRC funds should typically be used for economic and promotional studies and "seed money" to leverage deals.
- **KRC should not be a long term property owner.** KRC should sell its industrial properties when market conditions improve. In order to maximize the resale value of its industrial complexes KRC needs to devote more attention to property management, leasing, and rent collection and take aggressive action to address problems of vacancies and arrearage. However, KRC should exit the property management business as soon as possible, unless KRC can demonstrate over the next year that it is a profitable activity and worth the effort. Property management is very labor intensive and usually is not sufficiently profitable to justify the management time required by such a business.

- **KRC should give its Community Development Department its own independent management and funding base (under the umbrella of KRC).** KRC's community development program has been very successful, but in order to attract the funding it needs, KRC should establish a tax exempt Community Development Foundation and provide it with a capital base. The foundation should have a clear cut plan and schedule for raising funds, and the Board of the foundation should closely monitor the implementation of the plan.

UDC and GOJ

- **UDC should complete the Harbour Street Sewer and put it into operation.**
- **UDC should review its redevelopment program for Inner Kingston in light of changes over the past eight years.** UDC should review and evaluate its plans for Inner Kingston and as part of that process address the problems of what to do with the vacant Urban Bus Terminal site, how to market and put to use all the vacant lands it owns downtown, what to do with the Oceana Hotel property, and how UDC and KRC can work together more constructively. Areas for potential cooperation include joint planning for specific areas, joint development of sites, and joint marketing of Inner Kingston.
- Relocating GOJ offices downtown can be a powerful and cost effective revitalization tool. **GOJ should make every effort to relocate more offices downtown and use its need for lower priced space as a development tool.**
- The tax incentives for Inner Kingston can help spur the revitalization process. **GOJ should promptly issue the regulations for downtown tax incentives to prevent investors from delaying building plans and to eliminate uncertainty about what the rules will be.** The rules for qualifying for tax exemption should be simple and transparent.
- The creation of the Task Force for Downtown Improvement will further downtown redevelopment. **GOJ should consider the Task Force for Downtown Improvement as the central policy advisory board for government and use it to help coordinate revitalization efforts and keep GOJ aware of what actions it must take.**

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EVALUATION OF THE INNER KINGSTON DEVELOPMENT PROJECT

I. BACKGROUND

A. Context for the Inner Kingston Development Project

Implementation of the Inner Kingston Development Project (Project No. 532-0120, hereinafter referred to as the Project) began in July 1986 when USAID signed agreements with the two principal implementing agencies, the Kingston Restoration Company (KRC), a public-purpose private company, and the Urban Development Corporation (UDC), the primary developmental parastatal organization of the Government of Jamaica (GOJ).

The Project initially was envisioned as a 39 month, US\$25 million urban project to revitalize downtown Kingston, Jamaica, with USAID committing US\$15 million of loan and grant funds and the Jamaican public and private sectors contributing US\$10 million.

In 1989 USAID extended the completion date for the Project to September 1991. In September 1991, USAID approved a second phase for the Project to consolidate and build on the achievements in Phase I. In Phase II USAID provided an additional US\$3 million primarily to KRC and extended the KRC component of the Project until June 1996. Phase II projected additional private sector counterpart funds of US\$5 million. No funds were provided to UDC in Phase II, but the completion date (PACD) for its part of the Project was extended to September 30, 1994. Consequently, the Project has become a ten year, US\$33 million dollar undertaking, US\$18 million of which is to be provided by USAID. It is due to be completed at the end of June 1996.

This evaluation documents and assesses the results of the Project over the past eight years. It compares design objectives with accomplishments and outputs. It seeks to explain the causes for the Project's successes and inability to achieve certain objectives. The evaluation also makes recommendations about how remaining USAID funds for the Project can be most effectively spent and proposes a strategy for completing the Project and maximizing its impacts.

The Project encompasses a geographic area of approximately 100 blocks that was the site of the original 18th century city and is shown in **Figure 2**. The area is bounded on the south by the Kingston Harbour waterfront, on the west by Darling Street, on the north by a line running one block above St. William Grant Park, and on the east by South Camp Road.

The downtown core contains commercial and office establishments and public buildings and is centered on the King Street corridor between St. William Grant Park and the waterfront. On the western side of the Project Area, which is within the constituency of member of Parliament and former Prime Minister Edward Seaga of the Jamaica Labour Party (JLP), are

located the West Kingston Markets (the center for agricultural distribution in the country), Kingston's Rural Bus Terminal, and the railway station. The eastern part of the area is predominantly a dilapidated residential area interspersed with some small commercial and industrial properties, churches, and offices of public service agencies. It is largely within the constituency of Col. Leslie Lloyd of the People's National Party (PNP), although there are some neighborhoods (e.g. South Side) which strongly support the JLP.

B. The Original Concept for USAID Assisted Intervention in Inner Kingston: Project Purpose and Objectives

In the early 1980s GOJ enacted a series of structural and policy changes to make the Jamaican economy more competitive, reduce the role of the public sector, increase employment, and encourage private investment. The Inner Kingston Development Project was conceived of as an innovative urban economic development undertaking to support GOJ's program of reform and make downtown Kingston a viable center for trade and commerce in Jamaica.

The overall goal of both Phase I and Phase II was to contribute to Jamaica's need for increased investment and employment opportunities. The Project has two purposes: (1) to provide additional work space in Inner Kingston suitable for the expansion of light manufacturing and mixed commercial activity; and (2) to help restore Inner Kingston as a center for economic activity and job creation.

USAID expected that the two implementing organizations would work together closely to focus and coordinate public and private investment downtown. UDC and KRC were to develop a partnership to coordinate their efforts and maximize the effect of public and private investment. The Project was intended to build on and reinforce major public investments in the rehabilitation and expansion of the West Kingston Markets (funded by the Inter-American Development Bank [IDB]), the rebuilding of the Parade into the St. William Grant Park, and the rehabilitation of the Supreme Court Building on King Street (funded in part by USAID).

The overall strategy was to make available needed industrial and commercial space downtown in rehabilitated buildings at attractive prices and provide various financial incentives to attract private investment. Private investment would create employment and eventually generate a self sustaining restoration process. The primary roles of KRC were to demonstrate that vacant and vandalized properties could be put to productive use after rehabilitation and to provide financial incentives and technical assistance to private building owners and potential investors. KRC project elements were designed to maximize the participation of the private sector and were concentrated for impact in key development areas which would act as anchors for subsequent, broader scale revitalization.

UDC activities were to support and complement KRC investments and provide essential infrastructure and transportation facilities. UDC appeared to be the ideal partner for KRC: it was the agency responsible for planning in the core area, had a skilled technical staff of

planners and project managers, and owned large tracts of vacant land along the Harbour and Port Royal Street corridors.

Studies indicated that the lack of suitable factory space was a significant obstacle to business expansion. While GOJ was providing space for larger, export-oriented firms in or near the Free Zone (goods can be exported duty-free from the Free Zone), the Project was intended to make space available for Jamaican-owned small and medium sized firms.

The rationale for focusing the Project on Inner Kingston was three-fold: (1) the country's highest levels of unemployment were in this area, (2) reversing its deterioration could help to rekindle investment expectations nationwide, and (3) the area offered significant opportunities for cost savings in development because existing infrastructure was in place and vacant building shells could be rehabilitated economically.

Downtown Kingston had been declining as a center of commerce for many years. After an initial wave of redevelopment following the large scale clearance of the waterfront after the port of Kingston was moved from downtown to Newport West in the 1960s, businesses began to move "uptown" to New Kingston where problems of crime, decay, and congestion were less evident. This trend was accelerated by severe social and political conflict between supporters of the JLP and PNP in the years leading up to the 1980 elections. (For example, the Urban Institute reported that during this period in the two square kilometers west of Inner Kingston over 21,000 persons were deprived of shelter through fire eviction or violence and 4,000 buildings were destroyed). Of the initial population of 55,000, 23,000 persons left the area, 14,000 as a direct result of the conflict. The destruction caused by the conflict cost at least US\$20 million and resulted in the loss of 1,500 jobs.

By the mid 1980s Inner Kingston evidenced extreme signs of deterioration and disinvestment. Large numbers of buildings were unoccupied, and many had been vandalized. In 1985, for example, more than a quarter of the non residential buildings in the Project Area were classified as "ruins" or "abandoned." Public Buildings West, a major GOJ office building on King Street, was occupied by homeless families. Former factory buildings along Pechon Street were burned out shells occupied by gunmen. Harbour Street, between the offices of the ICD Group of Companies (ICD) and Grace Kennedy, was lined with derelict ruins and lots occupied by squatters. Property values and rents were relatively low and had not changed much in the previous decade (in contrast to New Kingston where values were rising rapidly and to which firms were relocating). More than 6,000 very poor, largely unemployed individuals lived adjacent to the downtown core in dilapidated housing without basic amenities. High crime rates encouraged business relocation and discouraged private investment. In 1982, 36 percent of the labor force in the area within two miles of downtown was unemployed. Between 1981 and 1986 when the West Kingston Markets project began, almost no public investment occurred in Inner Kingston.

In 1986 there were, however, some signs that redevelopment and revitalization might be feasible. The economy and private investment seemed to be accelerating, and Inner Kingston still possessed many advantages as a business location. Inflation and interest rates were

declining, and there was some evidence of modest investment in property downtown. Public service delivery downtown had been improved, and the streets were cleaner than they had been in previous years.

C. Assumptions Underlying the Programmatic Focus of the Project

Underlying the Project design were important assumptions about national economic trends, the situation in Inner Kingston, and the potential effects of the Project:

- The economy appeared to be improving and, as a result, there would be a growing demand for commercial and industrial space. Because of the cost advantages of providing rehabilitated space in relatively low cost and available buildings, Inner Kingston could produce work space on a competitive and attractive basis.
- It was assumed that the macro-economic environment would be conducive to economic growth and real estate development. While interest rates were high by U.S. standards (e.g. 18-20 percent), they were not so high as to be a major constraint to expansion of the economy or attracting funds for real estate development.
- The Project was expected to have a discernible and significant impact because its funding resources would be concentrated within a relatively small area. Public investment and KRC-financed demonstration projects were expected to create the needed climate to convince investors that Inner Kingston had changed and eventually establish a self-sustaining revitalization process.
- KRC and UDC would work together closely and plan and coordinate their efforts and investments to generate maximum impact. UDC's investments were expected to support private investment, and the vacant land it owned was to be immediately available for redevelopment; KRC was to promote and marshal private investment and to demonstrate that investments in land and buildings could be profitable and secure.
- Both the public and private sectors recognized that the social problems of the area's residents needed to be given serious attention. Without the support of the nearby residential community, it was unlikely that the physical rebuilding process could be sustained. (Nevertheless, in Phase I only US\$100,000 of the USAID grant funds were allocated for community development, and in Phase II the amount was US\$250,000.)
- The Project would help establish KRC as an effective and financially sound organization for promoting the revitalization of Inner Kingston. With USAID grant funds, reflows (i.e. capital gains and rental income), and contributions from the private sector and development fees, KRC would become by the end of the Project financially self-sustaining for the foreseeable future. The Project design assumed that KRC could achieve at least a 70 percent cost recovery on its investments.
- Given the complex nature of the Project and the recognition that its design should respond to changing market considerations, USAID concluded that there was a need for substantial technical assistance and monitoring of Project implementation. As a result, USAID and its contractors would provide substantial technical assistance to both KRC and UDC and closely monitor implementation of the Project and changing market conditions to assure that Project objectives were achieved.

D. Program Strategy

The Project has three major funding components: KRC, UDC, and program support.

1. The Kingston Restoration Company (KRC)

KRC was established in 1983 by Maurice Facey, a prominent Jamaican businessman, and Gloria Knight, then Executive Director of UDC, as a private non profit, public-purpose company to undertake cosmetic improvements to enhance Inner Kingston's physical appearance. By 1986 KRC had a prestigious, non partisan Board of Directors which had raised some funds and undertaken some planning activities, but it had no permanent staff or office. While recognizing its limitations, KRC appeared to USAID to be an appropriate institutional vehicle to marshal private investment resources and function flexibly and efficiently to carry out a multi-purpose revitalization program, yet at the same time support a public-purpose agenda. On the other hand, while KRC had public-purpose developmental objectives, it lacked the legal authorities and public financial commitment commonly provided to redevelopment and economic development agencies.

While the Inner Kingston Development Project was being planned and designed, USAID granted US\$725,000 to KRC (Project 532-0141) to rehabilitate a vacant multi-story building, the former Denoes & Geddes brewery on Pechon Street, on an experimental basis. Subsequently, in July 1986, USAID signed a cooperative agreement with KRC to carry out its part of the Project, required USAID involvement in all major KRC decisions, and committed the KRC Board of Directors to raise J\$9 million of counterpart funds as an initial private sector contribution to the Project.

With USAID grant funds in hand the KRC Board agreed to hire an executive director and staff, establish an office, and develop financial systems and programs needed to implement its part of the Project. The Board hired Morin Seymour, former executive director of the National Housing Trust (NHT), as an executive director. The institution building process to make KRC an effective organization proved to be a major challenge for KRC; its Board; and USAID (with its primary support contractor, the Urban Institute).

The Project design charged KRC with responsibility for implementing four types of activities:

- Rehabilitation and marketing of buildings for manufacturing and commercial use to generate new jobs and improve the physical appearance of Inner Kingston.
- Strengthening of Inner Kingston as a viable economic center through strategic planning and targeted anchor investments to encourage further rounds of public and private investment.
- Implementation of a community development program to provide needed services to the low income residential community and involve them in the development process.
- Operation of a Restoration Grants program to facilitate business expansion and downtown upgrading by small property owners.

2. The Urban Development Corporation (UDC)

UDC was established in 1968 as a parastatal organization and became GOJ's primary development vehicle nationwide. GOJ tasked UDC with preparing development plans for the major cities and tourist areas of Jamaica and for undertaking major infrastructure improvements and projects to foster economic growth and job generation. UDC was given ownership of the land and properties along the downtown waterfront that GOJ acquired when the port was moved. In 1986 this land represented 87 percent of all the undeveloped public land in the Project Area.

In 1986 UDC initiated the US\$26 million rehabilitation and expansion of the West Kingston Markets, the city's center for wholesale food distribution and the "higgler" trade (higglers are small, individual traders). UDC's long term development plan for West Kingston included construction of a major bus transportation complex adjacent to the markets to rationalize public transportation patterns. UDC also had prepared preliminary plans to replace the dilapidated trunk sewer and pumping station that ran along Harbour Street as well as secondary water and sewer lines that served the eastern part of Inner Kingston. The existing trunk sewer overflowed periodically, discouraging investment along Harbour Street. USAID judged that the water and sewer improvements and the bus terminal would complement the other public investments being made downtown and serve as catalysts for private investment, and agreed to incorporate them into the Project design.

USAID agreed to help finance construction of three principal UDC projects:

- A new transportation complex for buses to serve both urban and rural users. With non USAID resources, UDC would build commercial space as part of the facility.
- A new Harbour Street trunk sewer and pumping station.
- Other public improvements, secondary water and sewer lines, and traffic signals.

3. USAID Program Support and Technical Assistance Role and Evaluation and Audit Functions

The third component of the Project was an extensive technical assistance and research program to help USAID effectively manage and monitor the Project, provide institutional development support to KRC and UDC, report on the dynamics of the downtown economy and real estate market, assess the impacts the Project was having on the area, and periodically audit and evaluate the Project. During the start up phase of the Project, KRC was to receive help in designing each of its program components, training staff, and developing its management and financial systems. This technical assistance work was carried out by the Urban Institute of Washington, D.C., which had played a key role in designing the Project, and RHUDO/CAR staff.

E. Funding Levels

1. Phase I Financial Plan: USAID and Counterpart Funding

Table 1 summarizes the original Project budget. USAID expected to contribute US\$15 million to the US\$25 million Project. USAID funds totaling US\$7.6 million were budgeted for UDC and US\$6.9 million for KRC. The remaining USAID funds (US\$475,000) were to be used for grants to community organizations in the Project Area and technical assistance and management support for the Project (KRC and UDC also had their own technical assistance and training budgets). The KRC component was to be grant funded; UDC was to receive US\$2.6 million in grant funds and US\$5 million in loan funds. Local public and private investment in related physical improvements which would contribute to the Project was estimated at US\$10 million. The UDC component was estimated to generate US\$4.5 million in related investments, and KRC's component was estimated to generate US\$5.5 million in private contributions, investments, and reflows. Reflows (e.g. earnings from KRC investments) were expected to be an important resource for financing KRC activities during the Project and thereafter.

TABLE 1
INNER KINGSTON DEVELOPMENT PROJECT PHASE I
FUNDING BY INSTITUTION AND SOURCE
(US\$000)

Institutions/Components	USAID	Contributions and Reflows	Total
Urban Development Corporation	7,650	4,465	12,115
Kingston Restoration Company	6,875	5,535	12,410
Other Community Organizations	100	-	100
USAID Direct TA	375	-	375
Total	15,000	10,000	25,000

Source: Phase I PP

Table 2 provides the detailed budgets for each of the Project components. It shows that the original Project concept was almost entirely bricks and mortar oriented with US\$13.9 million (93 percent) allocated to KRC and UDC physical development projects.

2. Phase II Financial Plan: USAID and Counterpart Funding

Table 3 presents the Phase II budget for the additional US\$3 million that USAID added to the Project in 1991. All Phase II resources were allocated to KRC, except for various support expenditures. USAID estimated that the additional funding would attract

**TABLE 2
INNER KINGSTON DEVELOPMENT PROJECT PHASE I
FINANCIAL PLAN (US\$000)**

Institutions/Components	USAID	Public and Private Contributions	Reflows and Investments	Project Total
Kingston Restoration Company				
Rehabilitation/Construction				
Factory Space	5,250	1,000	2,600	8,850
Commercial Space	1,000	635	1,100	2,735
Outreach Program	100	-	-	100
Grants: Small Owners	250	-	200	450
Technical Assistance/Training	275	-	-	275
Subtotal	6,875	1,635	3,900	12,410
Urban Development Corporation				
Transportation Terminal/ Commercial Center	2,574	3,000	-	5,574
Area-Wide Infrastructure	2,115	283	-	2,398
Sewerage System	2,033	-	-	2,033
Traffic Signals	82	-	-	82
Transportation System	-	283	-	283
Development Area Infrastructure	2,736	1,182	-	3,918
Sewerage	859	-	-	859
Water	888	-	-	888
Roads/Sidewalks	989	-	-	989
Parks/Other	-	1,182	-	1,182
Technical Assistance/Training	225	-	-	225
Subtotal	7,650	4,465	-	12,115
Other Project Activities	475	-	-	475
Community Organization Outreach	100	-	-	100
Monitoring/Evaluation	375	-	-	375
Total	15,000	6,100	3,900	25,000

Source: Phase I PP

**TABLE 3
INNER KINGSTON DEVELOPMENT PROJECT PHASE II
FINANCIAL PLAN (US\$000)**

Components	USAID Total	Public and Private Contributions, Reflows and Investments	Project Total
Kingston Restoration Company			
Strategic Investments	1,575	4,275	5,850
Downtown Plan	100	-	100
Community Development Activities	250	523	773
Building Demolition and Open Space Program	200	100	300
Subtotal	2,125	4,898	7,023
Technical Assistance and Training	725	121	846
Evaluation/Audit	150	-	150
Total	3,000	5,019	8,019
Source: Phase II PP			

more than US\$5 million of local public and private investment and contributions. Half the funds were earmarked to finance large strategic investment projects. In Phase II KRC was to shift its role of owner/developer to that of packager/broker. Funds amounting to US\$100,000 were provided to finance a new physical development plan for Inner Kingston.

3. Combined Phase I and Phase II Summary Budget

Table 4 shows the combined Phase I and II budget for the Project at the time Phase II was approved. With the Phase II funding the Project had become a US\$33 million undertaking, and KRC had become the primary recipient of USAID assistance. The budget reflects the substantial reallocation of resources to USAID directed technical assistance, management support, and monitoring activities that occurred during Phase I and the addition in the Phase II budget of US\$450,000 for those purposes. USAID increased its commitment to US\$18 million and funding of KRC was increased to US\$10.6 million.

TABLE 4
INNER KINGSTON DEVELOPMENT PROJECT PHASE I AND II
SUMMARY OF ORIGINAL FINANCIAL PLANS (US\$000)

Institutions/Components	USAID	Non USAID	Total
Kingston Restoration Company Phase I	7,368 ^a	5,535	12,903
Kingston Restoration Company Phase II	2,125	5,019	7,144
Subtotal	9,493	10,554	20,047
Urban Development Corporation	6,336 ^b	4,465	10,801
Other Project Activities	2,171	-	2,171
Total	18,000	15,019	33,019

^aDuring Phase I KRC received \$682,000 of additional funds to carry out the King - Harbour Street Infrastructure Improvement Project, increasing its budget to \$7,557,000, and the UDC component was reduced by an equivalent amount. USAID subsequently reallocated \$189,139 of funds budgeted for KRC to USAID directed technical assistance, project management, and monitoring activities.

^bUDC budget reflects projected UDC budget in 1991 and reallocation of funds budgeted for UDC for USAID directed technical assistance, project management, and monitoring activities.

Source: Phase I PP

4. Use of USAID Funds in Phase I

Table 5 summarizes how Phase I funds were used, in contrast to the original budget plans for the Project. Six principal changes should be noted. First, because the scope of the UDC project was reduced due to cost overruns, increased construction costs, and reduced supplemental funding from GOJ, UDC spent only US\$5.5 million rather than the US\$7.6 million budgeted. Second, US\$951,964 (12 percent of KRC's funding) went for organizational operations support to KRC, whereas no funds had been originally budgeted for that purpose. Third, KRC invested substantially less funds (US\$4.8 million versus US\$6.2 million) than it projected in income producing investments and substantially more than it budgeted (US\$962,000 versus US\$250,000) in non income producing physical investments). Out of the US\$962,000, \$682,000 went to the King Street Upgrading Project. Finally, USAID directed support costs nearly doubled over original projections and totalled US\$911,209.

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TABLE 5

**Inner Kingston Development Project
Use of USAID Funds**

In US \$

Phase I *						
PROJECT COMPONENT	Total Funds Per Project Plan Budget		Reallocation of Plan Budget		Actual Funds Finally Spent **	
	(Dollars)	(%)	(Dollars)	(%)	(Dollars)	(%)
I. KRC ACTIVITIES						
Strategic Investments	\$6,250,000	91%	\$4,805,897	65%	\$4,805,897	65%
Industrial Development	\$5,250,000		\$4,236,461		\$4,236,461	
Commercial Development	\$1,000,000		\$569,436		\$569,436	
Physical Development Assistance	\$250,000	4%	\$962,000	13%	\$962,000	13%
Restoration Grants	\$250,000		\$230,000		\$230,000	
Streetscapes	N.A.		\$732,000		\$732,000	
Building Demolition and Open Space	N.A.		N.A.		N.A.	
Community Development	\$100,000	1%	\$210,000	3%	\$210,000	3%
Technical Assistance/Training	\$275,000	4%	\$438,000	6%	\$438,000	6%
Downtown Development Plan	N.A.		N.A.		N.A.	
Other TA/ & Training	\$275,000		\$438,000		\$438,000	
Operations Assistance	N.A.	0%	\$951,964	13%	\$951,964	13%
Total Direct to KRC	\$6,875,000	100%	\$7,367,861	100%	\$7,367,861	100%
II. OTHER ACTIVITIES						
UDC	\$7,650,000	100%	\$5,435,089	100%	\$5,435,089	100%
Transportation Terminal	\$2,574,000	34%	\$2,218,075	41%	\$2,218,075	41%
Area Wide Infrastructure	\$2,115,000	27%	\$2,696,988	50%	\$2,696,988	50%
Development Area Infrastructure	\$2,736,000	36%	\$0	0%	\$0	0%
Technical Assistance/Training	\$225,000	3%	\$289,228	5%	\$289,228	5%
Downtown Revitalization	N.A.	0%	\$230,798	4%	\$230,798	4%
USAID Directed	\$475,000	100%	\$911,209	100%	\$911,209	100%
Technical Assistance/Training	N.A.		\$90,546		\$90,546	
Monitoring/Evaluation/Audit	\$375,000					
Other Community Organizations	\$100,000					
Urban Institute Monitoring Contract	N.A.		\$820,663		\$820,663	
Total to Other Activities	\$8,125,000		\$6,346,298		\$6,346,298	
TOTAL AID GRANT AND LOAN	\$15,000,000 *		\$13,714,159		\$13,714,159 **	

Note: N.A. = Not Applicable: This item not included or disaggregated in specified Project Plan phase.

* Does not include \$732,000 in funds given under special project to initiate D&G Phase I prior to start of USAID Program.

** As of 8/10/94 "Agreement Budget" prepared 9/10/94 by Ken Kopstein.

*** As of 9/30/94 per USAID "Project Financial Status Report" prepared 10/6/94.

5. Proposed Uses of USAID Funds in Phase II

Table 6 summarizes the proposed uses of the US\$3 million USAID provided in Phase II. The largest component is Strategic Investments. In 1991 a number of large scale, strategically located commercial projects appeared to be promising investment opportunities. Nevertheless, only 66 percent of the Phase II resources provided to KRC were allocated to physical development activities. A major component of the budget is for technical assistance and training and USAID management support. Despite its success, no USAID funds were allocated to the Restoration Grants program, since it was assumed that activity would be financed from reflows. No funds were budgeted for KRC operations because it also was assumed that reflows from rents and sale of KRC-developed properties would cover this cost. However, reflows proved to be inadequate and in 1993, USAID agreed to provide such support funds. Eighteen percent of the expenditures were obligated for that purpose. Reflows were expected to support KRC's housing program and promotional and developmental activities to enhance the image of Inner Kingston.

6. Combined Phase I and Phase II Financial Plan

Table 7 provides a financial overview of the whole Project over the eight year period from July 1986 to September 1994 and shows how USAID funds have been allocated to different activities. As noted above, KRC investments in income generating activities were substantially less than contemplated by the original design, clearly affecting the ability of KRC to earn income to cover its operations and generate further rounds of investment. Only about US\$6 million (60 percent) of the funds KRC is expected to receive will be used for commercial and industrial investment projects. The remaining 40 percent of KRC funds will be spent on non income generating activities, including KRC operating expenses. Despite the importance KRC and USAID attach to community development activities, KRC expects to spend only US\$450,000 (4 percent) on this component. By the end of the Project KRC plans to spend US\$1 million (11 percent) on technical assistance and training and studies (including the Downtown Plan). The table shows that while UDC invested US\$4.9 million in projects, it also spent US\$520,000 (nearly 10 percent) of its funds on studies, technical assistance, and training. USAID itself has spent US\$1.3 million to date on support costs of various types so that the combined funding for technical assistance and training for the Project amounts to more than US\$3 million out of a total budget of US\$18 million or approximately 17 percent of the budget. It is worth noting that KRC also was granted USAID and U.S. Embassy funds for Hurricane Gilbert relief, drug elimination, and a feasibility study for a Trade Centre of the Americas.

II. EVOLUTION OF THE INNER KINGSTON PROJECT

The Inner Kingston Development Project is an extremely complex and ambitious effort to reverse serious economic decline and all of the attendant physical deterioration, systems breakdown, and social disruptions. In this section of the evaluation, the changing parameters of community economic development are discussed to better understand the dynamics of change affecting the many Project elements, followed by a look at Inner Kingston today.

TABLE 6

Inner Kingston Development Project
Use of USAID Funds

In US \$

Phase II						
PROJECT COMPONENT	Total Funds Per Project Plan Budget		Reallocation of Plan Budget ***		Actual Funds Obligated ***	
	(Dollars)	(%)	(Dollars)	(%)	(Dollars)	(%)
I. KRC ACTIVITIES						
Strategic Investments	\$1,575,000	66%	\$1,163,600	43%	\$872,425	43%
Industrial Development	N.A.		N.A.		N.A.	
Commercial Development	N.A.		N.A.		N.A.	
Physical Development Assistance	\$200,000	8%	\$90,000	3%	\$50,000	3%
Restoration Grants	N.A.		N.A.		N.A.	
Streetscapes	N.A.		N.A.		N.A.	
Building Demolition and Open Space	\$200,000		\$90,000		\$50,000	
Community Development	\$250,000	10%	\$240,400	9%	\$140,400	9%
Technical Assistance/Training	\$385,000	16%	\$740,725	27%	\$593,900	27%
Downtown Development Plan	\$100,000		\$228,900		\$228,900	
Other TA/ & Training	\$285,000		\$511,825		\$365,000	
Operations Assistance	N.A.	0%	\$490,275	18%	\$329,275	18%
Total Direct to KRC	\$2,410,000	100%	\$2,725,000	100%	\$1,986,000	100%
II. OTHER ACTIVITIES						
UDC	\$0		\$0		\$0	
Transportation Terminal	\$0		\$0		\$0	
Area Wide Infrastructure	\$0		\$0		\$0	
Development Area Infrastructure	\$0		\$0		\$0	
Technical Assistance/Training	\$0		\$0		\$0	
Downtown Revitalization	\$0		\$0		\$0	
USAID Directed	\$590,000	100%	\$275,000	100%	\$379,627	100%
Technical Assistance/Training	\$440,000					
Monitoring/Evaluation/Audit	\$150,000					
Other Community Organizations	N.A.					
Urban Institute Monitoring Contract	N.A.					
Total to Other Activities	\$590,000		\$275,000		\$379,627	
TOTAL AID GRANT AND LOAN	\$3,000,000		\$3,000,000	***	\$2,365,627	***

Note: N.A. = Not Applicable: This item not included or disaggregated in specified Project Plan phase.

* Does not include \$732,000 in funds given under special project to initiate D&G Phase I prior to start of USAID Program.

** As of 8/10/94 "Agreement Budget" prepared 9/10/94 by Ken Kopstein.

*** As of 9/30/94 per USAID "Project Financial Status Report" prepared 10/6/94.

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TABLE 7

**Inner Kingston Development Project
Use of USAID Funds**

In US \$

Phase I and II Combined							
PROJECT COMPONENT	Total Funds Per Project Plan Budget		Reallocation of Plan Budget		Actual Funds Finally Spent or Obligated		Funds Yet To Be Committed***
	(Dollars)	(%)	(Dollars)	(%)	(Dollars)	(%)	
I. KRC ACTIVITIES							
Strategic Investments	\$7,825,000	84%	\$5,969,497	59%	\$5,678,322	61%	\$291,175
Industrial Development							
Commercial Development							
Physical Development Assistance	\$450,000	5%	\$1,052,000	10%	\$1,012,000	11%	\$40,000
Restoration Grants							
Streetscapes							
Building Demolition and Open Space							
Community Development	\$350,000	4%	\$450,400	5%	\$350,400	4%	\$100,000
Technical Assistance/Training	\$660,000	7%	\$1,178,725	12%	\$1,031,900	11%	\$146,825
Downtown Development Plan							
Other TA/ & Training							
Operations Assistance	N.A.	0%	\$1,442,239	14%	\$1,281,239	14%	\$161,000
Total Direct to KRC	\$9,285,000	100%	\$10,092,861	100%	\$9,353,861	100%	\$739,000
II. OTHER ACTIVITIES							
UDC	\$7,650,000	100%	\$5,435,089	100%	\$5,435,089	100%	\$0
Transportation Terminal	\$2,574,000	34%	\$2,218,075	41%	\$2,218,075	41%	
Area Wide Infrastructure	\$2,115,000	27%	\$2,696,988	50%	\$2,696,988	50%	
Development Area Infrastructure	\$2,736,000	36%	\$0	0%	\$0	0%	
Technical Assistance/Training	\$225,000	3%	\$289,228	5%	\$289,228	5%	
Downtown Revitalization	N.A.	0%	\$230,798	4%	\$230,798	4%	
USAID Directed	\$1,065,000	100%	\$1,186,209	100%	\$1,290,836	100%	(\$104,627)
Total to Other Activities	\$8,715,000		\$6,621,298		\$6,725,925		(\$104,627)
TOTAL AID GRANT AND LOAN	\$18,000,000		\$16,714,159		\$16,079,786		\$634,373

Note: N.A. = Not Applicable: This item not included or disaggregated in specified Project Plan phase.

* Does not include \$732,000 in funds given under special project to initiate D&G Phase I prior to start of USAID Program.

** As of 8/10/94 "Agreement Budget" prepared 9/10/94 by Ken Kopstein.

*** As of 9/30/94 per USAID "Project Financial Status Report" prepared 10/6/94.

As stated, the original concept for the Project was based on a set of assumptions about the future of the Jamaican economy, private sector investment trends, an active GOJ role, and the ability of economic development to act as a bridge between the public and private sectors to marshal support for redevelopment downtown.

In response to the experience of Phase I and to the deteriorating national economy, some adjustments were made in Phase II of the Project although the basic objectives and assumptions remained for the most part. During the past four years, however, there have been substantial changes in the economy, in the national government, and in the collective understanding of the nature of economic development and of what can be accomplished with leveraging investment.

High interest rates, inflation, and the economic downturn during the first two years of Phase II (1991-93), related in part to the United States recession which began in 1989, have been the fundamental factors affecting the Project and the ability of KRC as an economic and physical development institution to promote investment downtown and put together feasible development projects. The slowdown in the economy has been especially difficult for Inner Kingston. A disproportionate number of the unemployed (and underemployed) reside in neighborhoods adjacent to the downtown core.

That KRC has accomplished as much as it has is a testament to its leadership and to its ability to respond to new challenges with development approaches not originally envisioned. In fact, KRC is becoming a more well rounded community economic development organization, a trend that also is apparent in the United States as many communities grapple with the interrelated nature of their socio-economically diverse societies.

The investment made by USAID has been effective, even if it is modest by comparison to public investment in U.S. inner city projects. With an average annual expenditure of about US\$1.6 million over a ten year period, USAID has helped Inner Kingston weather difficult economic times. Indeed, there is strong evidence that under the leadership of KRC, and with the other projects funded by USAID, the stage has been set for what could become *sustainable* redevelopment of Inner Kingston over the next ten to fifteen years. That is not to say, however, that sustainable redevelopment can be achieved without continuing support from government and the private sector.

Considering successful redevelopment experience in the United States, it is instructive to note that no sustainable redevelopment programs have been achieved without continuous government subsidies for projects and operating expenses for the economic/redevelopment agency over the course of several decades. In order to accomplish revitalization, the level of public investments in Inner Kingston must be maintained over a similarly long period. Given the size of Kingston, the resources USAID has made available to KRC and UDC are insufficient as a short term solution for downtown Kingston.

San Jose, California, provides a good example. Although different in scale and economic structure from Kingston, San Jose experienced the same disinvestment in the downtown area in the 1950s and 1960s with consequent physical and social deterioration and very negative image. After fifteen years of planning and construction through public/private partnerships, the public sector has invested approximately US\$750 million matched by about US\$1 billion from the private sector. The Redevelopment Agency's annual operating budget is about US\$16 million, with a capital budget of around US\$80 million. The city's Office of Economic Development alone has an annual operating budget of US\$1.6 million. (This organization was established in 1986 to address the collateral issues of redevelopment, such as community development, small business needs, neighborhood business district improvements, job creation, and future economic growth issues to help sustain the tax base which supports redevelopment and community-wide improvements.)

In viewing the status of the Inner Kingston Development Project today, the successes and the unresolved program issues should be considered in light of the level of expenditure. Economic development organizations in the United States with levels of expenditure similar to that of KRC have rarely accomplished as much as KRC has in Kingston. The USAID expenditures for capital investment, new programs, and technical assistance have been, on balance, in line with best practices elsewhere for that level of effort.

A. Physical Development and Its Impact on Inner Kingston

Since the mid-to-late 1980s a significant physical revival of downtown commercial areas has occurred. King Street has regained much of its former stature as a principal shopping thoroughfare and is well maintained and improving in appearance. This has come about as a result of the KRC initiated streetscape and sidewalk improvements, facade restoration, and building upgrading work along the street's entire length from Harbour Street to St. William Grant Park. This physical activity is further anchored by the return of government office users to the restored Public Buildings East and West complexes at Justice Square midway up King Street, as well as by the completed restoration and active community use of the Ward Theater (across from St. William Grant Park).

Duke Street, the old legal office and business service district paralleling King Street immediately to the east, has witnessed a similar revival in recent years, also directly due to KRC initiated streetscape and sidewalk improvements and building restoration and upgrading. There are now virtually no vacancies along the four block length of either street below East Queen Street. KRC raised 50 percent of the cost of the Duke Street program from property owners.

Significant rehabilitation activity is also apparent on Orange and Princess Streets, which parallel King Street immediately to the west, although no streetscape or sidewalk improvements have been made here. Similarly, significant rehabilitation and some new construction work have begun to occur along the streets crossing Orange, King, and Duke in the retail/office core, and below Harbour Street.

Harbour Street itself, after many years of disruption caused by the Harbour Street Sewer project, is now showing signs of a major turnaround. Most of the buildings in the two blocks immediately east and west of King Street are in advanced stages of rehabilitation or are completed, and the five building ICD complex at the far east end of Inner Kingston, at more than US\$3 million, represents the largest recent private investment downtown to date since the Project began. KRC's activities in restoring 38-40 Harbour Street and the JamBar building (located between the ICD complex and the King Street corridor) had earlier helped improve the investment climate along Harbour Street. The imminent completion of the Harbour Street Sewer project, the leveling and repaving of the roadbed, and the demolition of abandoned and burned out buildings along the street (all to be completed by early 1995) suggest that private investment activity will now spread further along Harbour Street. As well, ICD plans further buildings and development of the Breezy Castle Park within the next year.

Traffic signals have been installed at critical intersections on Harbour and Port Royal Streets. The Rural Bus Terminal is operational. The West Kingston Markets project, which remains uncompleted, is however a major source of concern to downtown interests. The partially completed structures are unsightly and serve as a symbol of the area's inability to pull itself together into a completed, safe whole. The failure to complete the markets project also results in an exacerbated physical problem—the higglers who were expected to use these facilities instead conduct their business in the streets bordering the uncompleted buildings, thereby causing a scene of total congestion, confusion, and lack of safety throughout the area west of upper King Street and St. William Grant Park.¹

Two setbacks to Inner Kingston in the last year have been the cessation of operations of the Jamaica Railway system and the Oceana Hotel. The resultant closure of the Jamaica Railway Station and of the only downtown hotel have some detrimental impact to both economic and job generation activity and morale downtown.

Besides the ICD complex on Harbour Street and some individual private buildings scattered throughout the area, no large scale "signature" private projects of institutional investment grade have been undertaken downtown since the late 1970s. Industrial redevelopment has been limited: while KRC in the late 1980s undertook the rehabilitation and retenanting of three industrial complexes on the east and west edges of Inner Kingston (Machado, Denoes & Geddes, and the Knitting Mills) there has been no comparable follow through by other private sector entities to develop industrial buildings. The characteristics and impacts of the principal KRC sponsored development activities are summarized in Attachment A.

Residential development activity in the form of either new construction or substantial rehabilitation has not occurred in the downtown area since the Project began. The result has

¹Initiation of the West Kingston Markets project and dynamic policing activities were successful in moving the higglers west off lower King, Princess, and Orange Streets. However, the original design concept for the West Kingston Markets has proven to be unworkable and a viable new approach has neither been adequately conceived nor funded.

been that the residential areas, as well as commercial areas outside of the core streets discussed earlier, have seen neither discernible private investment nor physical improvement of infrastructure. Furthermore, there has been no tangible development activity of any kind along the entire length of the waterfront lands controlled by UDC.²

Notwithstanding the above, the overall appearance of Inner Kingston has significantly improved since 1986. There are definite signs of heightened and heightening economic activity, physical upgrading, and public infrastructure improvements along key commercial corridors.

B. Economic Activity: A Revival and Strengthening of Traditional Roles

Downtown Kingston plays important roles in Jamaica's economy and in the daily life of its people. Its most significant function remains that of being the major trade and commercial center for the majority of the country's population, particularly the lower and middle income population. The West Kingston Markets area—and the vast array of shops, establishments, and small service businesses extending from the markets over to and including King Street and St. William Grant Park—form the commercial/retail core of the entire country. Very few vacancies exist throughout this part of Inner Kingston. The stores and the quality of goods they carry are slowly upgrading, generally in line with improvements in the national economy.

While Inner Kingston is extremely dynamic and critical to the well being and development of the country, it is not particularly appealing to nor patronized by the upper classes. Downtown business is carried out in establishments that are very simple in appearance and amenities, located on streets that are quite crowded and chaotic. Inner Kingston has not been, and is not presently, in a position to attract the upper middle class specialty shopper or typical tourist, but this inability should not be used as a measure of its success or economic vitality. At the same time, numerous cultural amenities do attract the middle and upper income groups to the area. The Ward Theatre, the National Gallery of Art, the Institute of Jamaica, the crafts market, and the Bank of Jamaica Money Museum are a few examples of the major attractions.

Inner Kingston has fortunately succeeded in retaining the legal community of Jamaica, centered along Duke Street. This important economic base was almost lost to New Kingston (the suburban area where most new commercial development is concentrated) in the 1980s; if this had occurred, it would have almost certainly signaled the end of any significant office function downtown. Instead, the Supreme Court and the lawyers have remained and now are becoming a significant generator of growth. Over 500 lawyers presently have offices in the area and firms are expanding. As the legal profession grows and modernizes, it typically supports and attracts associated professional business services such as accountants; business consultants; and office, travel, and financial services.

²UDC developed plans for a major office building (the "BoJax" Building adjacent to the existing Bank of Jamaica building) but has been unable to find a developer or financing to construct it.

Other than GOJ, which is expanding its presence, most of the other downtown businesses are small and diverse. There are very few private employers left in the area of a sufficient size to have a major negative impact on the economic base downtown were they to individually contract their operations due to downsizing, takeovers, or other exogenous business related reasons. On the other hand, because of their prestige, a significant expansion downtown by a number of these players would collectively have a very positive impact on perceptions and attitudes toward the area. One of the largest private employers, ICD, is in an expansion mode, but its actions have not yet led others to make investments of a similar magnitude. ICD's willingness to invest downtown may relate in part to its entrepreneurial character and the commitment of its senior executive staff to the area. Important investments have been made, however, by Bank of Nova Scotia; Grace Kennedy; and Myers, Fletcher and Gordon. Also, major financial firms such as Victoria Building Society, Life of Jamaica, and Bank of Nova Scotia are beginning to make additional real estate investments and open branch offices or relocate subsidiaries or affiliates downtown.

The industrial sector in the downtown core has two major components. One component (consisting of textile manufacturers and some electronics, packaging, and distribution activities) owes its location downtown directly to KRC's creation of space in the rehabilitated and repopulated industrial complexes under its control. A substantial number of the 2,500 employees in these complexes live downtown, and the enterprises in the complexes comprise the major opportunity for downtown residents to obtain factory employment.³

The other component of industrial activity is small scale ("micro enterprise") manufacturing/craft operations scattered throughout the residential areas, concentrated on such items as furniture and shoes. These enterprises most frequently are found in the fronts or yards of residential structures; they employ family members and, sometimes, several additional employees.

C. Government Sector Relocations Downtown

The large scale movement of GOJ offices out of Inner Kingston in the 1970s and early 1980s played a major role in accelerating the area's decline at the time. Over the past ten years, beginning with the above mentioned decision to retain the Supreme Court downtown in the mid 1980s, the GOJ sector has become increasingly important in sustaining the downtown revitalization. KRC was an influential promoter of relocating government offices downtown. Several major government agencies have returned downtown, reversing the trend of flight in the 1970s and early 1980s. The Planning Institute of Jamaica and the Accountant General have returned downtown in the past five years, bringing jobs with them and providing a base for supporting business services. The Ministry of Public Service is planning to return in the near future (but unfortunately it will occupy the area's only hotel, the Oceana). Due to high rent differentials with New Kingston and GOJ's expression of support

³About two thirds of all factory employment held by downtown residents is at these three KRC locations, per George Peterson, "Monitoring Report: Inner Kingston Development Project," Urban Institute, December 1994.

for Inner Kingston, up to 275,000 square feet of additional government office space users (representing over 1,000 employees) could relocate downtown within the next five years.⁴

Aside from the significance of these relocations in terms of direct numbers, the growing presence of GOJ downtown is important in terms of demand for support services and in attracting people doing daily business at government offices. As well, the stability and commitment of a large scale government presence sends a positive sign to other investors who may still be undecided.

D. Social Problems and Negative Impacts on the Economy of Downtown Kingston

In Inner Kingston there are approximately 6,000 very low income residents struggling to survive in a highly politically polarized community amid high unemployment and underemployment; they suffer from poor living, housing, and environmental conditions. Low educational and skill levels are combined with a high percentage of female headed households.

These conditions foster domestic and street violence and robbery. Incidences of robbery target both local residents and those who commute to the area for work. The police have been ineffective due to key residents' general feeling of distrust for the police and the fact that the police tend to ignore many types of illegal activity. Significant and visible improvement in the social and economic advancement of the residential community is imperative for the success of KRC's mandate to revitalize downtown Kingston.

The revitalization of Inner Kingston is dependent on improvement in the social and economic advancement of the people who live in the area. The social problems which are an obstacle to total development of downtown Kingston are both perceived and real. Perceived problems are seen in the opinions of potential investors and workers. The real problems are experienced daily by the people living in the area or who are targets of robbery or harassment.

Major economic problems still exist downtown. The median income earned by the principal income earner in the area's households is approximately J\$1,800 per month (US\$56)⁵, while the minimum monthly income to feed a family of three has been estimated by the Ministry of Health at J\$3,222 (\$100).⁶ Unemployment is high for both men and women, and a high percentage of those who are employed report that they are engaged in casual and intermittent labor. Many of those who claim to be employed are higglers (i.e. street vendors) who have small stalls on the road side or in their yards, and many earn less than the median income stated above. Many of those who are unemployed or underemployed are also unskilled but

⁴G.T. Kingsley, "Public Office Space and Downtown Revitalization," Urban Institute, April 1991; and J. Christopher Walker, "Financial Feasibility Analysis, Downtown Kingston Waterfront Development," Urban Institute, July 1994.

⁵George Peterson, op. cit., page 15.

⁶Nutrition and Dietetics Division, Ministry of Health, April 1994.

would rather work for themselves than take on factory work, which is viewed as involving very poor conditions.

Revitalization efforts were hindered by years of crime and violence occurring in the impoverished neighborhoods abutting the Inner Kingston Project Area. KRC realized that downtown Kingston's potential for tourism and external investment was severely threatened by this environment and pledged itself to stabilizing these communities.

Years of political patronage by the representatives of the two major political parties have not only polarized the community into Tel Aviv area supporters of the PNP and South Side supporters of the JLP but have also created high expectations with respect to jobs and housing. Although nationally the general policy of both parties seems to be withdrawal from this kind of politics (which has not led to widespread social and economic improvement of the poor), political divisions still thrive in downtown Kingston and remain a source of violent discontent.

For example, during the 1993 parliamentary elections between PNP and JLP candidates, KRC performed a pivotal role in mobilizing local residents and community organizations to convince the political parties to renounce violence. This PNP/JLP Peace Accord accounted for the relative lack of violence in the Project Area during the elections.

These real social problems are the target of KRC's Community Development Department. The Department has developed and implemented a number of programs designed to encourage self improvement, reduce political conflict, and encourage local economic development. Persons interviewed reported that these programs have so far made a significant impact on youth education, caused reduction of crime, and improved access to health care. These changes are only the beginning of the community based improvements which are vital for the revitalization of Inner Kingston. Furthermore, USAID's RHUDO has proposed that a Network of Urban Community Based Organizations (NUCO) be considered as a precursor to a new, larger scale USAID project to coordinate and assist NGOs.

Today New Kingston, Montego Bay, and Ocho Rios are all experiencing significant increases in crime and violence. Tourism and external investment are at risk. The positive results of KRC's community development efforts in providing mechanisms for a stable environment have led KRC to expand the Project Area to include Jones Town. Due to KRC's successes in stabilizing volatile communities through their citizen-based activities, the consultants recommend continued USAID support for KRC community development efforts.

E. Attitude: Toward Downtown Kingston

Attitudes about downtown Kingston diverge depending upon the location and interests of the person concerned. Inner Kingston's small and medium size business interests (merchants, business services, lawyers, etc.) generally see the downtown area as a viable and growing activity center and are concerned with pragmatic issues of getting it to function better. Their focus includes such day to day survival issues as improved safety for both businesses and

customers, getting better access and parking, lessening of traffic congestion, keeping trash off the streets, and keeping the higglers confined to certain areas. These enterprises are familiar with the opportunities available downtown and are making incremental investments to support and improve their existing businesses.

The upper middle and upper income residents of New Kingston, Constant Springs, and similar suburban areas do not consider downtown Kingston as a place in which to work, invest, or recreate. There is little there of any interest to this "New Kingston crowd," insofar as Inner Kingston has not had any relevance in their lives for perhaps the better part of two decades. Their view of Inner Kingston is essentially founded on theory rather than direct experience and their interest in Inner Kingston is restricted to its symbolic potential. These suburbanites have no nostalgia for the past glory of downtown Kingston and are definitely skeptical that it will ever have any real utility for them or provide them economic opportunities. Moreover, this group retains a negative perception of Inner Kingston as unsafe, rundown, chaotic, and dirty. They do not believe that the downtown area presents investment opportunities as good as those available in the suburbs, the tourist areas, or off-shore.

However, based on interviews for this evaluation and other reports, there is a general acknowledgement by this group that Inner Kingston has essentially turned the corner and is no longer in danger of being abandoned.⁷ As a result there is latent support for Inner Kingston, and the interest of these investors could be stimulated further if more pieces of a positive downtown evolution scenario fall into place: for example, yet more government office relocations and the locating of the United Nations Law of the Sea Secretariat downtown.

All of the business groups, regardless of their orientation or location, believe that a viable, healthy Inner Kingston will depend on the support and goodwill of the neighboring residential areas. Two factors are at work in engendering this belief. First, the significant crime levels against both person and property that continue in the core are attributed to the poverty in the proximate neighborhoods. Second, the history of politically based violence in the 1970s has taught everyone how volatile the situation and gains downtown would be in the absence of cooperation with the residents and an improvement in their opportunities and conditions. In this regard, the role of community development activities has been cited by almost everyone as critical to ensuring and furthering the gains downtown. KRC has achieved very high levels of credibility with both residents and businesses in its capacity of supporting community development activities and obtaining the goodwill of these communities.

⁷However, an Urban Institute survey conducted in the spring of 1994 found that the majority of downtown business owners and managers interviewed (62.7 percent) thought that general conditions downtown had worsened since 1990. This may result from the manner in which respondents were selected and general frustration with economic conditions in Jamaica. See George Peterson, *op. cit.*, page 14.

F. Increasing Government Support of the Downtown Restoration Process

Participation of GOJ and in particular UDC was an important part of the Project design. It was recognized that the policy and financial support of GOJ were needed to establish a healthy investment climate. Early on in the history of the Project KRC sought to engage the Office of the Prime Minister in a dialogue on Inner Kingston's future and to convince GOJ to enact a financial incentives package to encourage investment downtown. It also became evident that government was a major occupant of office space and that the relocation of government offices downtown could be a major stimulant to the real estate market. A 1991 Urban Institute study estimated that GOJ occupied 275,000 square feet of expensive office space in New Kingston. If GOJ relocated 148,000 square feet of space downtown it could save J\$29-40 million annually.

The first major breakthrough for KRC came when GOJ asked for KRC's assistance in rehabilitating the Gold Street Police Station and Public Buildings West (GOJ's major office complex on King Street which had become derelict and was largely vacant). KRC's successful completion of these projects and use of innovative financing schemes gave KRC important credibility with GOJ.

KRC's efforts to promote Inner Kingston with GOJ have borne results. The Prime Minister has announced a tax incentive package for investments downtown. The Prime Minister has assigned his Minister without Portfolio, Dr. Peter Phillips, the role of establishing a Task Force for Downtown Improvement. The Task Force will attempt to coordinate and facilitate public and private sector activities and is tangible evidence of GOJ's commitment to Inner Kingston. Government has lent its strong support to the establishment of the Downtown Kingston Management District (DKMD), an effort by the business community to establish a special service district to improve safety and public service delivery.

G. The Status of Revitalization

The evidence cited above indicates a series of real gains and achievements in Inner Kingston over the past decade. Of paramount importance, Inner Kingston has in that time gone from almost suffering total abandonment by GOJ, the legal profession, and a major portion of the commercial/retail sector to a diversified turnaround that appears to be on the verge of becoming an active, self sustaining market. Key economic generators are in place and growing. Heightened levels of private real estate development activity are manifesting the underlying healthy growth patterns.

The turnaround is being supported by a diverse and numerous base of small entrepreneurs and is thus more secure than if it were in the hands of a few large players. Nonetheless, detrimental socioeconomic conditions in the bordering residential areas probably remain the single largest threat to the sustainability of the Inner Kingston revival, due to the negative effect that increased levels of crime or politically based violence could have on the reality and perceptions of activity downtown. There is still widespread skepticism regarding the sustainability and strength of the Inner Kingston revival, particularly among the major business

and investment decision makers, and there remain fundamental questions as to whether investment returns downtown will be competitive with other opportunities.

The role of KRC, first in physical development activity, and more recently in overall downtown planning and community development activities, has been critical in nourishing the turnaround. A sudden collapse of KRC or too rapid a diminution in its activities at this critical juncture would undermine confidence in the trends downtown just as they appear to be coming to fruition.

III. INNER KINGSTON DEVELOPMENT PROJECT RESULTS

Figure 3 summarizes the direct and indirect successes and the missed opportunities and unresolved problems of the Project. In addition to the foregoing summary analysis, other actions, results, and effects of the Project were judged to be successes based on interviews with persons knowledgeable about the condition of downtown Kingston before and after the Project was inaugurated. Particularly noteworthy are the changes in perception, attitude, and expectations about investment opportunities downtown. These are discussed in other sections of the report. A number of missed opportunities and unresolved issues identified can yet be rectified; others are not subject to resolution or remediation because of circumstances of the times and/or because they no longer are deemed suitable for the capabilities of KRC.

A. End of Project Status and Problems in Measuring Results

USAID's end of Project status expectation was summarized in the Phase II Project Paper:

At the end of Phase II (i.e. 10 years after the beginning of the Project) the major disincentives to private investment would have been eliminated or mitigated and healthy market conditions would have been re-established downtown. As a result of KRC funded efforts, many residents will have improved job skills and gained better access to various social, educational and health services.

This expectation of the conditions that would exist by 1996 is not intended to suggest that downtown would be fully redeveloped by the PACD or that all major constraints would be eliminated. Nevertheless, by the end of the Project, KRC would have established an environment in which private market forces were active, the revitalization process was self sustaining and economic growth was occurring. The private sector would no longer need large infusions of KRC financial or technical assistance to encourage development. Areas of blight and abandoned properties would have been eliminated. Strategic commercial properties and job generating factory complexes would have been rehabilitated and occupied. An agenda for growth and development would have been defined in a plan for downtown.

Abt Associates evaluated Phase I of the Project in 1989, and periodically the Urban Institute has commented on various results of the Project. Abt's principal finding was that USAID had substantially underestimated the time and resources that were required to successfully undertake a project of such magnitude and complexity.

Because the Project is a multi-dimensional and complex urban economic development initiative, by nature it does not readily lend itself to evaluation. The Project has numerous

**FIGURE 3
SUMMARY OF THE INNER KINGSTON DEVELOPMENT PROJECT:
STRENGTHS AND WEAKNESSES**

Direct and Indirect Successes	Missed Opportunities and Unresolved Problems
<p>KRC</p> <ul style="list-style-type: none"> • Completed Development Projects • Packaged Real Estate Deals and Assembled Land for Development • Leveraged Grant Programs • Improved Streetscapes • Attracted/Induced Private Investment • Developed Industrial Space • Promoted Creation of DKMD • Created Jobs, Direct and Indirect • Obtained Corporate Tax Exempt Status • Increased Community Pride • Created Teen Center • Created YESS Program • Created Health Clinic • Created Job Skills Bank • Obtained Funding for Community Development Programs • Rehabilitated Public Buildings West • Sold Community Bonds for Gold Street Police Station • Renewed Interest of National Government in Downtown Office Relocations, Tax Incentives, and Future Investment • Completed Long Range Downtown Kingston Development Plan: Vision 2020 • Maintained Political Neutrality • Improved Image of Inner Kingston and Reversed Attitudes Toward Future Development <p>UDC</p> <ul style="list-style-type: none"> • Completed Rural Bus Terminal • Completed Harbour Street Sewer Line • Completed Harbour Street Pumping Station 	<p>KRC</p> <ul style="list-style-type: none"> • Development Projects Not Recycled at Planned Pace • No Major Private Office Buildings or Signature Projects Constructed • Not Able to Realize Projected Rates of Return on Its Investment • Has Not Attracted Financial Contributions from the Private Sector as Desired • Not Able to Fully Develop In-House Real Estate and Finance Staff Capacity • Has Not Achieved Self Sufficiency Based on Operating Income • Sufficient Capital Base from Project Profits Has Not Been Generated • Balance Has Not Been Completely Achieved Between Physical Development, Community Development, and Provision of Comprehensive Economic Development Services <p>UDC</p> <ul style="list-style-type: none"> • Protracted Delays Occurred in Completion of Harbor Street Sewer • Did Not Complete Secondary Water and Sewer Lines • West Kingston Markets Project Terminated • Did Not Build Urban Bus Terminal

objectives, many of which are in conflict with one another. USAID encouraged the implementing agencies to undertake a diverse set of initiatives and activities in the belief that all of them were important to the overall Project goal.

At the time the Project was designed, USAID recognized the importance of establishing quantifiable indicators to measure the effectiveness and impacts of the Project at various points in time. The Logical Frameworks for Phase I and II summarize the expectations of the Project and some of the principal inputs and assumptions that undergird the outputs. There was, however, extensive debate within USAID and with its consultants about how best to measure Project success and impact. The indicators that were chosen were judged reasonable and appropriate but, at the same time, incomplete and illustrative at best. Determining cause and effect relationships and the extent of the impacts of the Project were recognized as challenging research. This evaluation has chosen to examine both the USAID indicators and a broader set of standards and measures to determine the success of the Project.

Comparing outputs with design expectations provides only a narrow perspective on the results of the undertaking because over the past eight years the Project has been redesigned regularly, both strategically and tactically, in response to changing circumstances and unforeseen events and because many of the most positive outcomes were never recognized in the design objectives.

In some respects, unanticipated events have challenged the basic design assumptions of the Project. For example, the macro-economic environment of recent years was not anticipated in designing the Project and has been a serious constraint to its successful implementation. The unprecedented shock of currency devaluation, the drastic decline of the stock market, high interest rates, and the extraordinary return available from GOJ Treasury obligations (more than 50 percent per year) in recent years have had a major impact on investment decisions and the availability of resources for real estate investment not only in Inner Kingston but throughout the country. As a result of these economic circumstances, some of the largest real estate investors in Jamaica have encountered serious financial problems in recent years.

Figure 1 (see the Executive Summary) summarizes the indicators that were assigned to the Project and summarizes the progress achieved to date. The figure shows that USAID identified three types of indicators: (1) general indicators of success, (2) KRC milestones, and (3) UDC milestones. While the Phase I Logical Framework postulated these results would be achieved within the initial 39 month period, USAID recognized at the time that many of the outputs and impacts could only be achieved over a longer period of time. While the USAID indicators are useful for management and monitoring purposes, they fail to capture the full scope of the Project, particularly results that do not lend themselves to easy quantification.

B. Assessment of Tangible Outputs

The following summary of specific measurable outputs is based on the Phase I and Phase II Project Plans.

1. Industrial and Commercial Development

The majority of KRC funds were to be invested in industrial and commercial rehabilitation projects which would change the face of Inner Kingston, show that private investment was once again taking place, and provide space for job generation. As Figure 1 shows, KRC was to produce 325,500 square feet of industrial space and 75,500 square feet of commercial space.

KRC's initial projects were industrial, but because of many factors including the changing demand for such space, the rent levels that industrial users could pay, competitive GOJ industrial space programs, and the lack of suitable properties for industrial uses, KRC has not developed any new industrial projects since 1988.

KRC has exceeded its commercial rehabilitation goal. The demand for office space is strong and market conditions make providing such space feasible. While the original commercial space targets assumed users would be private companies, in fact GOJ has also become an important tenant for commercial space. As noted in other sections of the report, GOJ is beginning to move government offices downtown because of cost considerations. The opportunity to move more GOJ offices downtown is promising.

In Phase I KRC focused largely on developing its own projects. In Phase II the notion was that KRC would shift its role to facilitating deals for other private investors. The Strategic Investments projects component in Phase II was to finance such developments. The extreme adverse economic circumstances in the early 1990s, KRC's limited technical capacities, and the complexity of the transactions all contributed to KRC's inability to complete a Strategic Investment project. Now that the market is improving, however, KRC is completing two projects and is pursuing several other projects that may turn out to be feasible.

Not reflected in the indicators are many important development achievements which need to be given consideration:

- KRC has helped facilitate private investors. For example, KRC assembled several large tracts of land which were sold to the ICD Companies and are now being improved with first class office space.
- KRC was able to convince UDC (e.g. 38-40 Harbour Street) and GOJ (JamBar Building) to lease buildings to KRC for rehabilitation. KRC has successfully sold these buildings to other owners.
- A substantial portion of KRC's real estate capacity was used to complete the rehabilitation and financing of Public Buildings West, which has made an important impact on Inner Kingston.
- KRC has been able to develop important and innovative real estate financing and property sales arrangements that have been essential factors in the projects KRC has developed.

As mentioned elsewhere, KRC's development program was slowed during the years 1991-93 partly by economic circumstances beyond its control. These conditions were a major con-

straint to furthering the objectives of the Project. Improving economic circumstances, by contrast, should help to facilitate implementation of the Project.

Despite all of these successes, KRC has not been able to develop adequate in-house capacity to plan, develop, finance, and manage real estate transactions. KRC also has not been able to rigorously evaluate the feasibility of projects and, consequently, has expended scarce resources on some projects that are not economically or financially feasible. KRC at times has not fully recognized the time value of money or the legal problems and constraints to timely development. On the other hand, real estate skills are in short supply in Jamaica and KRC cannot compete financially with private sector firms. Over the last year KRC has demonstrated it can develop profitable projects on its own.

The Urban Institute and RHUDO staff have provided continuing and valuable real estate and financing technical assistance to KRC; its absence during the period 1991-93 contributed to the Project's slowdown. KRC can continue to benefit from technical assistance, and ways for KRC to have regular access to such expertise in the future need to be explored.

2. Restoration Grants and Demolition Programs

The Restoration Grants program was designed to provide financial incentives to small private property owners to encourage widespread and visible property rehabilitation. KRC awarded grants to approved applicants to carry out a variety of exterior improvements from simple "paint up, fix up" projects to extensive exterior rehabilitation work. Grants normally could not exceed 20 percent of the total cost of the improvements or J\$200,000, whichever was less, but on an experimental basis small grants of up to 50 percent of the total cost were made. The program was used extensively in conjunction with the King Street infrastructure upgrading program. KRC designed a simple, straightforward application and implementation monitoring system. Grant amounts were fixed regardless of actual cost, and KRC did not pay out its grants until projects were completed and inspected.

The program was extremely popular and the grants generated extensive private investment. For each dollar KRC provided, the private sector invested nine. KRC assisted 51 projects and made grants totaling J\$3.7 million; this in turn led to J\$34 million of private investment. The program was particularly active in 1988-91. No funds were earmarked for Restoration Grants in USAID's Phase II budget under the assumption that reflows would finance the program. This did not turn out to be the case, as after 1991 only four grants were made because of lack of funds.

The results of this program far exceeded the original design objective set for it. The goal of 100,000 square feet of refurbished space was exceeded by 155 percent. A list of the characteristics of each grant is provided in **Attachment B**.

The Building Demolition and Open Space Program was designed to address the problem of vacant, vandalized, and ruined buildings in Inner Kingston. These buildings were eyesores, discouraged investment, and posed a health hazard. The Kingston and St. Andrew Corpora-

tion (KSAC), the local government, had the authority to demolish these buildings and place a lien on the property for the cost of demolition, but lacked the technical and financial capacity to do so. Phase II provided funds for KRC to demolish the buildings on the behalf of KSAC and where possible, improve the site with landscaping or a parking lot.

Designing the program proved to be more of a challenge than anticipated because of the time it took for GOJ to re-delegate the authority to demolish unsafe structures to KSAC and the legal issues raised by a private entity carrying out a public purpose on behalf of a government agency. Designing an arrangement satisfactory to all parties took an extended period of time. The first project was completed in November 1994.

While no explicit indicator was identified for this program in the Logical Framework it was expected that 100,000 square feet of buildings would be demolished. To date buildings totaling 39,210 square feet of area have been demolished. Now that the system is in place the program should be able to increase the pace of its activity to meet its target.

3. KRC Infrastructure Elements

As the Project evolved KRC realized that Inner Kingston would benefit from a systematic, coordinated property and public improvements program which would have a dramatic visual impact on key street corridors and be of a scale to impress potential investors. King Street was the logical demonstration site. Funding for such an activity had not been included in the Project design. KRC was able to convince UDC and USAID that UDC's grant funds to upgrade streets and sidewalks could be most effectively spent on King Street. Consequently, during Phase I US\$682,000 of grant funding was transferred from UDC to KRC. KRC combined these funds with Restoration Grants program funds and embarked on a comprehensive upgrading program for King Street. This initiative is discussed in detail in the Urban Institute's April 1991 report on the Project.⁸ The program proved to be complex and difficult to implement but successful in terms of involving property owners and upgrading building facades and public spaces. It led to a similar, though less ambitious, effort on Duke Street. Many civic leaders judge these programs as KRC's most successful undertakings.

No indicators were developed for this program element, but its success is evidenced by KRC's ability to convince most property owners to upgrade their buildings and, in the case of Duke Street, to contribute half the cost of the public improvements. Other parts of this evaluation comment on the economic vitality of both streets.

⁸G.T. Kingsley, George Peterson, and Jeffrey Telgarsky, "Inner Kingston Development Project Final Report," Urban Institute, December 1991.

4. UDC Infrastructure Elements

The UDC part of the Project encountered many problems and by any measures of success must be judged wanting. Major elements of the original Project were abandoned, and those that were completed were completed far behind schedule and at far higher costs than originally estimated.

Table 8 compares the original project budget with actual expenditures. The Rural Bus Terminal was completed several years late at a cost of 55 percent more than originally budgeted. The Urban Bus Terminal was never built because of cost overruns on the Harbour Street Sewer project and lack of GOJ budgetary resources. The sewer is expected to be finished in December 1994, seven years behind schedule and significantly over budget. The traffic signals have been installed. UDC did not make any of its land effectively available for development (a Logical Framework output added in Phase II), although UDC has made properties under long term leases available to KRC. During most of the eight year Project period UDC did not play the leadership role in promoting downtown renewal that had been anticipated. UDC's performance is described in detail in the Urban Institute's final report on the Project.⁹

There are a host of reasons for UDC's lack of success. Some events were outside UDC's control and others were internal to the organization. The former include Hurricane Gilbert in September 1988, which diverted UDC staff to other tasks; the change of government in 1989, which led to a reassessment of all UDC projects; the lack of timely engineering consultant support, which delayed project design and contracting activities (because of competition from other work); the special challenge of building a new trunk sewer in the downtown core; and the delays caused by having to fix pipes with defective seals that the National Water Commission had donated to the Project.

Internal problems include UDC's failure to exert effective management control over the design, implementation, and financing of each project element; serious problems with construction contractor performance due to the nature of the sewer work; the political difficulty in working downtown, poor financial management practices by the contractors; and the failure to work out financing arrangements with USAID to provide for timely flow of funds to UDC and its contractors.

The difficulties UDC encountered with the Project and its inability to complete the West Kingston Markets project also have impacted the success of the Project. The time it took to complete the Harbour Street Sewer and the disruptions it caused for the Harbour Street corridor clearly had a negative impact on investment decisions downtown. The site for the Urban Bus Terminal was acquired but never used and remains today a blighting influence on surrounding properties. UDC's inability to complete the West Kingston Markets project and fully utilize the loan funds provided by IDB has affected its ability to solve the problems of higglers operating on the street rather than in the Markets.

⁹G.T. Kingsley, George Peterson, and Jeffrey Telgarsky, *op. cit.*

TABLE 8
URBAN DEVELOPMENT CORPORATION
PLANNED PROJECT ELEMENTS
INNER KINGSTON DEVELOPMENT PROJECT PHASE I
(US\$000)

	Project Paper Budget				Actual			
	Total	USAID Grant	USAID Loan	GOJ ^a	Total	USAID Grant	USAID Loan	GOJ ^a
Transportation Terminal	5,574	-	2,574	3,000	2,218	319	1,899	NA
Water & Sewer Upgrading	3,780	1,436	2,344	-	2,697	9	2,688	NA
Roads & Traffic Signals	1,354	989	82	283	180	180	-	NA
Other Project Elements	1,407	225	-	1,182	399	399	-	NA
Total	12,115	2,650	5,000	4,465	5,494	907	4,587	NA

^aDenotes GOJ counterpart funding.

Sources: G.T. Kingsley, G. Peterson, J. Telgarsky, "Inner Kingston Development Project Final Report"; G. Peterson, "Inner Kingston Development Project Monthly Report," October 1994; and USAID MACS - PO7A dated 9/2/94.

NA=Not Available

The Logical Framework indicators used for UDC were simply milestones rather than qualitative or numeric indicators of success (except for the water and sewer lines and road and sidewalk improvements, but these activities were dropped from the Project). Consequently, they are not very relevant because they do not measure the degree of success achieved.

5. Other Project Outputs

Other outputs are important to examine in assessing the success of the Project. They include the Downtown Plan, the technical assistance provided to KRC and UDC, and the research and monitoring activities that were undertaken.

a. Downtown Plan

In Phase II USAID agreed to finance a new Downtown Kingston Development Plan (DKDP). The DKDP was judged important because there was no overall plan for Inner Kingston, and UDC's plan for the waterfront was outdated and did not reflect current market conditions. In 1992 with USAID funds, KRC hired Strategic Planning Group, Inc., of Jacksonville, Florida, to prepare the DKDP. The DKDP, entitled the Vision 2020 Plan, was completed in 1994. It provides a detailed history of Kingston, examines alternatives, and proposes a variety of projects to further the revitalization effort.

The DKDP had significant public and institutional support. Five key sponsors participated in the consultant selection and planning process: UDC, Town Planning Department, KSAC, Jamaica Chamber of Commerce, and KRC, which served as the DKDP project manager. This wide sponsorship enabled the planning consultant to obtain a consensus on the future of the downtown area.

A broad-based DKDP Steering Committee was established that included representatives from GOJ, parastatals, and a wide range of private sector interests. The Steering Committee divided into a number of working groups to consider specific details of the plan. There was also extensive community participation involved in the DKDP planning process. KRC conducted over 50 public hearings on the plan. All major interest groups were consulted, including, for the first time in Jamaica, residents in the impoverished communities.

These efforts to achieve consensus and support have paid off. Now, the Town Planning Department has indicated it will make the Development Order for the downtown area conform to the plan. The Minister for the Environment and Shelter is actively promoting the DKDP, and consequently GOJ has pledged to prepare a Green Paper for official consideration.

Completion of the Plan is one of the USAID indicators of Project success. The DKDP has, however, not been approved by UDC, although UDC was actively involved in its development. Such approval in some form remains important if the DKDP is to be implemented by the organizations that created it.

b. Technical Assistance and Training

Technical assistance and training were envisioned as an important part of the Project. The assistance was to provide essential technical support to UDC and help build the institutional capacity of KRC. The primary provider of technical assistance has been the Urban Institute, which was selected by USAID as its management and monitoring contractor in 1987. The RHUDO also has provided important assistance to KRC and UDC.

The Urban Institute has helped KRC on numerous tasks including designing its projects, setting up financial and management systems, preparing feasibility and analytic studies, and providing management oversight and strategic planning. The Urban Institute provided "hands-on" training to KRC staff in such skills as real estate development, economic analysis, proposal preparation, and project reporting. Urban Institute assistance has been central to KRC's success. At the same time, the question needs to be raised about the extent to which the Urban Institute assistance has resulted in a self sufficient, technically capable KRC. Clearly questions remain because KRC remains an organization that has limited technical developmental skills and that is overly reliant on its executive director for direction and decision-making. Despite these organizational and management limitations, KRC has become over the course of the past eight years a respected, competent, non partisan organization with demonstrated success in many areas. It has the confidence of large segments of the private sector, GOJ, and the donor community. The Urban Institute deserves credit in part for those achievements.

Some training has been provided to KRC and UDC staffs on such topics as property management, real estate development, and bond financing. Study tours to Miami to observe inner city development, to Boston and Baltimore to study redevelopment techniques, and to Philadelphia to learn about downtown management districts have taken place. Participants indicated these tours were useful and relevant to the problems of Kingston. Indeed, these observational tours of Urban Revitalization Programs in the United States had a very constructive result. The "Lessons Learned" from this training experience initiated the component of "critical mass" necessary to energize the business community to further accept and participate in the redevelopment process.

Some Project funds have been used to finance USAID project management staff support. For most of the eight years USAID staff have been active participants in Project implementation. This is particularly the case with KRC where USAID staff have provided extensive advice and assistance related to program design decisions, real estate development, and real estate finance.

c. Research and Monitoring Activities

Project funds have been used to fund a wide range of studies and surveys to develop an understanding of downtown business and economic conditions and track changes over time. These research programs, mainly undertaken by the Urban Institute, were to be used to make changes in the Project as market conditions evolved and to record changing

conditions and attitudes. The research programs provide a comprehensive database on Inner Kingston over the past eight years which has been used by USAID and KRC to make Project policy decisions. These programs provide a good basis for quantifying the changes that have occurred downtown since 1986.

C. Development of KRC's Institutional Capacity

Establishing KRC as an effective organization was, in itself, a formidable accomplishment. KRC had to set up a complete finance and accounting system that was acceptable to USAID and master the rules and regulations for obtaining and accounting for USAID funds. KRC staff had to learn the complexities of cash management and how to successfully invest surplus cash. The fact that USAID financial audits have found essentially no issues or problems is a credit to KRC staff. Working with the Urban Institute, KRC developed its own procurement policies and regulations which were accepted by USAID. Detailed designs and operating procedures had to be established for each program element and for the organization's personnel and compensation policies. USAID reserved the right to review and approve the design of all programs and management systems and policies. A variety of legal issues had to be resolved by KRC to enable it to function as a property purchaser, developer, owner, and real estate property manager. Substantial effort was required to clarify KRC's legal status and obtain income tax exemption. Over the years KRC has extensively documented its operations and sought to operate in a spirit of full disclosure to USAID and the KRC Board. The successful evolution of KRC into an effective and respected organization constitutes an important outcome of the Project.

D. Factors Limiting the Project's Success

Several factors affected the Project and its ability to achieve its goals. Had these not occurred, downtown progress would be on a more solid footing at the present time. These limiting factors include:

1. Limited UDC Project Participation

It had been anticipated that UDC would be a more dynamic player in the renewal process and would have completed more projects than it did. Projects originally anticipated to be completed included an Urban/Rural Bus Terminal Complex, the West Kingston Markets project, the "BoJax" Building (and/or its equivalent), and substantial infrastructure improvements (water/sewer projects). Instead, only the Rural Bus Terminal is complete.

Equally as important as UDC's projected physical development activity was the cooperative role it was to play with KRC in dynamically designing, managing, and implementing an overall development strategy for Inner Kingston. UDC has significant technical, financial, and political resources, as well as legal powers, available to further downtown development. None of these have been used to their potential over the past eight years. The formalized joint planning that KRC and UDC engaged in during the early years of the Project (i.e. the

Annual Planning Process) no longer occurs, and regular exchanges between KRC and UDC staff are infrequent.

2. Problem of Sale of KRC Industrial Complexes

The Project Plan anticipated rapid development and sale of KRC development projects. The projected time to develop and sell a project was projected to be one year to eighteen months. Sale soon after completion was to achieve two objectives: (1) free up KRC funds to be reinvested in subsequent rounds of revitalization projects and (2) demonstrate that development opportunities existed downtown that could result in marketable and profitable projects. Instead, KRC did not sell the projects it developed during the property boom of the late 1980s and now has its capital tied up in some management intensive assets that will be difficult to sell for several years at any sort of reasonable price. This experience undermines one of the very points KRC was trying to prove: that downtown industrial investments could be highly profitable.

3. Delay of the Harbour Street Sewer Project

The Harbour Street Sewer project was viewed as critical to resolving some key infrastructure problems inhibiting the development of Harbour Street in particular and adjacent areas tying into it. The delays in this project and the extended, messy construction phase (Harbour Street has been torn up for five years) have been cited by many as a principal cause of negative perceptions of Inner Kingston. Much economic activity was lost because of the sewer construction and businesses actually left the downtown area because of it.

4. Failure of UDC to Complete the West Kingston Markets Project

Similarly, the West Kingston Markets project was expected to make a key contribution to the revitalization momentum of Inner Kingston. The failure to complete this project, the lack of any plans for its future, and its present physical appearance have all contributed to negative perceptions of Inner Kingston. Experience in U.S. cities confirms that a single failed major project can easily break the momentum of downtown progress and the move toward positive attitudes.¹⁰

E. Overall Assessment of Performance

When weighing the level of resources USAID provided and the results of the Project, the overwhelming conclusion is that the Project has been successful in achieving its overall purpose—helping to expand Jamaican businesses and reversing the economic and social deterioration of downtown of Inner Kingston. Furthermore, it should be remembered that the

¹⁰Undoubtedly, the problems with the sewer project and the West Kingston Markets, which both manifested themselves after 1990, helped contribute in significant part to the deterioration in positive attitudes noted in the 1990-94 period, as described in the 1994 Monitoring Report on the Project. George Peterson, op. cit., Table II.5, page 15.

Project's successes have been accomplished during a period of great economic uncertainty where exogenous economic factors added significant additional constraints to successful implementation.

Clearly, there is much evidence to suggest that market conditions and attitudes, and to some degree social conditions, have changed for the better. Important infrastructure improvements are in place, thousands of jobs have been created, downtown investment in buildings and improvements is growing, the private sector is investing its own funds in the area, GOJ is more interested in and actively involved in the fate of Inner Kingston, KRC is a major participant in the decision-making process downtown, and the low income residential population has received improved services. Nevertheless, the job of reviving Inner Kingston is far from finished. KRC has not been able to do all the things it hoped to do, and it will continue to require outside financial support. From a short term perspective UDC's performance was disappointing, but in the long run the new infrastructure facilities will be important assets for the downtown area.

One way to evaluate the Project overall might be to ask whether USAID would be willing to provide about \$1.6 million dollars a year over ten years to achieve the wide ranging and important results noted above that have been achieved by the Project. From almost any perspective the effects of USAID funds are impressive, and Inner Kingston has changed significantly for the better over the past eight years. USAID has obtained good value for the funds it has provided.

IV. ASSESSMENT OF THE VARIOUS ROLES OF THE KINGSTON RESTORATION COMPANY

The evolution of KRC over the course of the USAID Inner Kingston Development Project has paralleled, in most respects, the evolution throughout much of the world (and in the United States in particular) of economic development as a comprehensive public/private sector collaborative endeavor.

Increasingly, the private sector understands and accepts the necessity that government at all levels play an active role in providing a variety of services and physical systems essential to economic growth but generally not available through private market mechanisms. In like manner, governments have accepted the essential importance of the private sector, acting through market systems, as the principal generator of jobs (five out of every six jobs in nearly all industrialized countries) and wealth.

Economies most able to provide jobs and opportunity are those that adopt and promote institutional mechanisms and regulatory processes and practices that recognize the interdependence of the two major sectors. Economic development is no longer perceived as just a physical development process focused on real property; nor can economic development programs ignore any longer the importance of education and training, the social needs of a region's different communities, or the role of communications in keeping all segments of the community informed about socioeconomic opportunities and needs.

The status of KRC today must be assessed in light of this emerging understanding of economic development. KRC has moved beyond its initial role as a promoter of private investment, indeed, as a developer and owner of real property. Although that has been and should continue to be an important function of the organization, other roles of necessity have moved to center stage and are shaping the public/private economic development organization of the future.

Figure 4 lists the primary roles that KRC is undertaking under the Project. They range from promotional and coordination activities to management of large physical and social projects. KRC's roles as *initiator, facilitator, and catalyst*, although perceived and understood at the inception of the Project, have grown way beyond anything originally anticipated, largely in response to events and opportunities. This response has shaped KRC today into a multi-faceted agency that at the same time is praised for its excellence, criticized for failing to do more, and dismissed as a relatively minor player in the ongoing physical and economic renewal of downtown Kingston. This is characteristic of economic development organizations everywhere. The diversity of opinion reflects the range of expectations that are typical of economic stakeholders with different interests and needs. In nearly all cases, expectations will exceed the capabilities of an economic development organization.

For these reasons, it is helpful to assess the status of KRC today in terms of its various roles, or in terms of the several dimensions of economic development represented by its different programs and activities. The following sections of the report assess KRC's roles as a real property developer, owner, and manager; as a provider of a variety of economic development services; as a community development agency; as a facilitator and initiator; and as a planning organization in the context of the Vision 2020 process.

A. KRC as a Real Property Developer and Property Manager

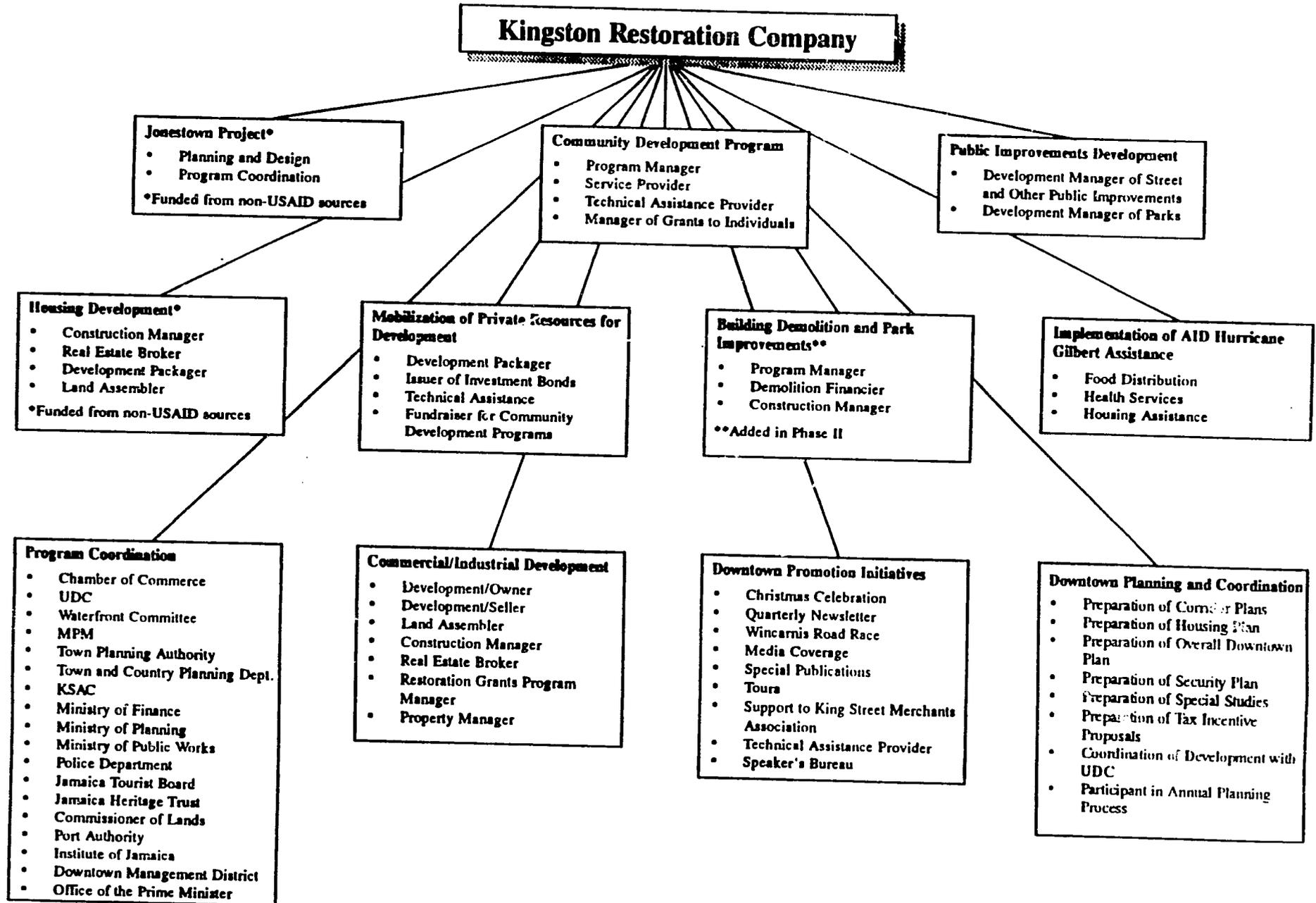
Two central objectives of the original USAID Project Plan were substantial physical development in the Project Area and the nurturing of institutional capacity to keep the momentum going after USAID support ended. At the time the Project began, there was little private sector development activity downtown, and for years nearly all of Kingston's developers and investment institutions turned their back on the downtown area.

USAID supported KRC to fill this void. KRC was molded into a development organization, and over the 1986-94 period it directly completed or initiated a dozen significant projects, the majority with its own funds serving as the initial or only investment in launching each project. In addition, KRC has played an extremely important role in directly stimulating development activity by downtown property owners and businesses via its Restoration Grants program, and indirectly via its streetscape projects on King and Duke Streets and the example of its own real estate projects.

One type of project undertaken by KRC has been the interim purchase and rehabilitation of properties with subsequent reuse by single occupants and sale to private investment syndicates. The goal of these projects (e.g. JamBar building, ICD land assembly, 38-40 Harbour

FIGURE 4

Summary Matrix of the Kingston Restoration Company's Roles in Phase I and Phase II



Street, 108-110 Harbour Street) was primarily to act as an intermediary developer or land assembler for an end user and/or investor identified early in the development process. These projects have typically involved less investment for shorter periods than the three industrial complexes that KRC rehabilitated initially. On the surface, they appear to make money because the reflow proceeds, in Jamaican dollars, often exceed the original investments, sometimes substantially. However, when the effects of devaluation and inflation are factored out, the results become less compelling in constant US dollars. As shown in **Attachment C**, initial investments of J\$52 million generate projected recoveries of J\$184 million, a seeming profit of J\$132 million. However, when expressed in US dollars, the initial investments of US\$6.4 million are projected to return US\$4.5 million, for a collective loss of US\$1.9 million.

As shown in the reflow analysis in Attachment C, KRC's development projects cannot be evaluated as unqualified winners if they are judged only in financial terms. This is due to the fact that projects had to meet conflicting financial/social objectives (e.g. job creation versus highest possible rents and "pioneering" in questionable fringe areas), KRC had to go through a learning curve as a development organization, and the real estate sector in Jamaica was severely affected by the overall problems of the economy.

The physical development output of KRC is impressive in this context and has made an important contribution to initiating the downtown resurgence. This output would not have been possible without USAID's substantial investment of funds in both property and technical assistance. The latter has been particularly critical due both to the lack of real estate development experience possessed by KRC's initial staff and the unusually high level of complexity of the projects launched. USAID's assistance in reviewing KRC's financial options and in encouraging KRC to prepare a Business Plan have been particularly important.

One of the issues facing KRC today is the extent to which it should continue to use its own funds for real estate development. While the evaluation's recommendations are discussed in Section VIII, it is important to note here that despite its excellent record of past achievements, KRC presently has limited in-house capacity and expertise to undertake complicated real estate projects. Some of the key staff members who gained the most expertise in this area have left, and much of the original accomplishments depended upon heavy inputs of outside technical assistance. Consequently, KRC needs to increase the skills of its staff and devote more staff resources to development problems.

Real estate development is a laborious, time intensive, risky activity requiring high levels of expertise and good judgment that can only be gathered through years of actual practice. It also requires substantial funds, which KRC does not have at present. Within this context, it must be considered whether a further real estate development role for KRC as an investor is a priority condition for furthering the downtown revival. At this time, KRC's involvement as an active real estate developer for its own account may be unnecessary or simply of marginal impact in the future. In fact it may be detrimental to KRC's other objectives given the risks, time, and funds involved.

KRC management retains a belief that significant income can be generated from real estate development profits and management fees to support non income producing activities such as community development. The actual experience of KRC in this regard is not encouraging. Moreover, this belief does not appear to be based on a realistic assessment of the complexity of the real estate development and property management businesses in general.

KRC needs to carefully assess any investments in real estate. One or two projects with heavy cost overruns or lower than expected rates of lease up or valuation levels can quickly negate gains on other projects. Furthermore, the downtown market has not shown the type of strength expected to lead to accelerated investment returns compared to other areas. In fact the anecdotal evidence available suggests that even for the best developers, the returns downtown have been lower than those achievable elsewhere. Moreover, the economic environment in Jamaica is presently not very positive and most of the large, for profit developers do not expect to undertake projects anytime soon anywhere in Jamaica.

The possibility of fee-based development or property management for others, including GOJ, remains. However, unless the projects are large and simple in conception and implementation, it is unlikely that they will prove to be a significant source of profit. Substantial management and accounting time and energy is likely to be invested over a long period, with delayed and constrained levels of return. Profit margins for property management are typically small (the bulk of the returns traditionally go to the parties putting up the capital) and not worth pursuing unless one already needs a staff, experienced in the field, to handle existing in-house properties and needs (e.g. the industrial complexes and their upgrading). Furthermore, top KRC management does not naturally have the inclination to devote time to the tough, conflict oriented, and intensive processes involved in developing and managing properties.

B. KRC as an Economic Development Services Agency

As noted above, KRC has evolved into a multi-faceted development entity, but it does not provide the range of services that many economic development agencies do. In addition to community development and real property development functions, as described above, there are a variety of additional economic development services that many economic development organizations provide. These services are deemed essential companions to programs that may have a different primary focus. Not including direct investment, these services include:

- Business services, such as legal, accounting, management, and marketing services.
- Network support programs for specific industry groups.
- Loan programs and services, including screening, packaging, and referrals.
- Education and employment training and placement programs.
- Security services, including waste management.
- Information services for small businesses.

- Public facilities, ranging from libraries and educational services to convention centers, business retreats, and cultural and sports venues.
- Marketing and promotion activities, ranging from advertising to special events.

Not every economic development organization does, or necessarily should, provide services in all of these program areas. Yet they are all within the purview of different types of public and private organizations with the mission to improve, reverse, or enhance the economic fortunes of a region.

It should be noted, too, that *provision* of these economic development services does not necessarily mean the actual hands-on delivery of the service. It means that the agency has the capacity to identify critical service needs, develop programs or initiatives to meet those needs, to raise necessary funds, and to work with existing or new organizations—public or private—with the relevant purposes and capabilities to deliver the service. Provision means carrying out the critical initiator, facilitator, and catalyst role discussed above.

1. The Range of Economic Development Services

Although KRC provides some of the services noted above, the organization is not yet a full service economic development agency, as defined in this section. This is primarily because the mandate to provide such services has not been established by the Board of Directors or by the funding sources, and partly because of the evolutionary nature of such organizations.

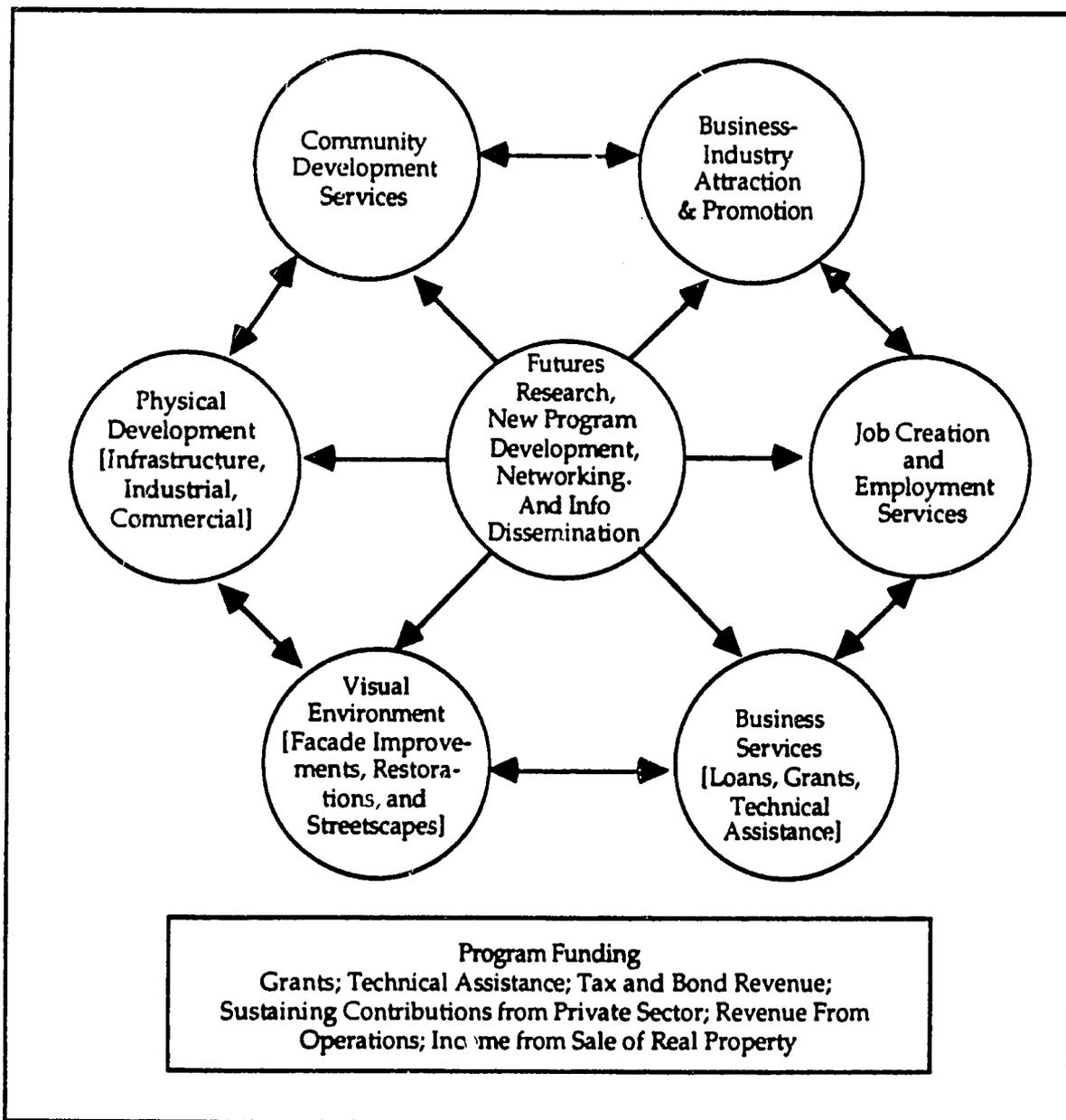
It is certainly apparent, however, that pressures are growing within the Jamaican business community and from the national government for more economic development services. That is clear from the way KRC has added program activities or taken the lead in fostering various economic development initiatives during the past three years. However, without any strategic sense of how the various programs interrelate and without a well developed structure of operating agencies to serve as partners in the delivery of such services, program development has been *ad hoc* in nature, which frequently results in undue organizational stress and inefficient use of scarce resources.

Figure 5 shows a schematic of the types of services, discussed above, which might be found in a full service economic development agency. Two of the six clusters of services are oriented to physical development projects; one service element, *business/industry attraction and promotion*, includes efforts to target particular industries or specific economic activities, (807 garment exports to the United States, for example) to be promoted in the downtown area. The other elements focus on various types of services needed by different segments of the community.

All of the program services are interdependent, as represented by the two way arrows. Experience has shown that economic improvement efforts which focus on physical development are substantially enhanced if supporting needs are addressed at the same time. This has certainly been the case with KRC, whose community development initiatives emerged as

FIGURE 5

**FULL SERVICE ECONOMIC DEVELOPMENT
PROGRAM CLUSTERS**



essential companions of physical development undertaken by KRC and by the private sector itself.

The *new program development, networking, and information dissemination* service cluster essentially deals with internal staff operations. The central placement of this service cluster reflects the importance these functions have to the ability of an economic development organization to maintain currency with economic affairs affecting the downtown area, and to respond to problems and opportunities with program initiatives backed by public and private entities capable of seeing the initiatives through to implementation. There also needs to be a strategic planning capability at the staff level to ensure that new programs, as well as existing ones, are being leveraged as much as possible, both financially and institutionally.

KRC has been very effective in carrying out the central service cluster functions pertaining to *networking and information dissemination*. Networking is important because it can lead to the identification of funding institutions, businesses, and individuals whose involvement is critical to program implementation through spin-offs or hand-offs of initiatives originating with KRC. Effective information dissemination is not only essential to utilization of various economic development services, but is also an important method of obtaining feedback about program effectiveness and community needs.

In terms of the original project design, KRC was seen as a public/private organization focused almost exclusively on the *physical development* and *visual environment* activities. However, KRC is feeling pressure to provide the services listed in all six clusters and has developed important responses in all but the *business services* and *business/industry attraction* clusters of activity.

Apart from the original KRC mandate, most of the program initiatives have centered on *community development services*, as discussed below. Although job creation was part of the initial work plan for KRC, it was seen primarily as a byproduct of developing industrial space. While certainly important, there are numerous other approaches to job creation, some of which KRC has initiated or has in proposal stage.

2. Direct and Indirect Job Creation

The October 1994 Monitoring Report prepared by the Urban Institute provides an analysis of the direct job generation employment targets for KRC projects and the achievements. As the report makes clear, employment has reached 94 percent of the original target. Although the composition of the jobs includes a high number of low wage, low skilled workers, the achievement is nevertheless remarkable. Equally remarkable is the fact that approximately 44 percent of the factory jobs created are held by persons who live within three miles of the downtown core—the target area for the Inner Kingston Development Project.

Another dimension of KRC's job creation achievements is obtained by looking at the cost per job. Although difficult to measure, even when relatively accurate data is available, U.S.

experience shows that the cost of creating one job will range upwards from US\$20,000, with an average for all types of jobs of around US\$50,000. With nearly 2,400 jobs created in KRC projects, with an expenditure of about US\$6.7 million, the cost per job is about US\$2,800. Considering differences in living standards and wage rates, this is probably not out of line for the types of jobs generated in the KRC projects and should be considered funds well spent.

Perhaps more important overall is the number of direct and indirect jobs created during the Project period. The Monitoring Report also presents data on job and establishment growth during the two phases of the Project. Job growth in downtown Kingston was 13 percent for the Phase II period, for approximately 2,400 net jobs added. This compares to about 14 percent for the previous three year period. It is significant that the average annual growth rates during both periods exceed the growth rates for the Kingston area and Jamaica during the same years. Even with all of the disruptions and overall poor performance of the Jamaican economy during this period, the growth rates for Inner Kingston suggest a healthier economy than is generally believed.

Business establishment growth is also a positive indicator for Inner Kingston. During the Project period to date, over 700 new establishments have been created against losses of a little more than 500. This is a birth to death ratio of 1.4, which is generally considered very positive. More important, during both periods the average employment per new establishment is approximately ten, another encouraging statistic.

This is only to note that economic development organizations must look at the broad picture of economic health and relate those indicators to the different economic development activities and services offered. In this context, the job creation efforts of KRC must be judged against the performance of the downtown Kingston economy, which as noted above has been positive relative to the Jamaican and Kingston area economies, as well as in relation to several absolute measures of growth.

C. KRC as a Community Development Agency

KRC did not start off as a community development agency, but while implementing its programs in property development and management and economic development, KRC's staff and Board members realized that the desired economic level of Inner Kingston could not be achieved without parallel improvement of the quality of life for the low income residents of the area. The programs developed as described in detail below have become the well known achievements of KRC, spoken of highly by participants, residents, sponsors, and the business community.

Joseph Matalon, one of the primary forces of development in Inner Kingston, describes KRC's community development programs as being "an escape valve for the community in the area and a sort of 'insurance policy' for investors and developers." He considers the Community Development Department of KRC to be a useful vehicle for private sector groups

to put money into the downtown area, especially for those who are willing to donate funds but may not want to be involved in the management of social programs.

KRC's existing community development programs and their strengths and benefits are summarized in **Figure 6**. Other programs are in the planning stages or in early stages of implementation. These include plans to increase community involvement by setting up a Community Advisory Committee and job generation through skills training and apprenticeship. These are discussed in Section VI.

The need for a community development component in KRC's strategy arose from the impact of "corner leaders" who are politically tied to PNP or JLP. In the absence of any form of government assistance forming the "social safety net," the corner youths have little alternative for improving their quality of life. These "corner leaders" are the source point of any jobs to be found—or "given out"—and as these persons pass out valuable information on jobs and handouts accordingly, they are the organizational force structuring others in a gang. These people are on the pay roll of politicians and, in the context of each individual neighborhood, constitute the power base of the community.

Elizabeth Phillips, KRC's first community development director, realized that an alternative "grassroots broker"—a local representative of either party—was needed to counter the sociological aspects of this dominating community organization. Phillips' strategy focused on giving the members of these communities other alternatives to this source of jobs and other components of the "social safety net." Phillips sought to remove the force of the prevalent illegal power from the community, while realizing the necessity of filling the vacuum created with some other apolitical source of community services.

KRC was the only organization in this area with the skills and characteristics necessary to work in this unique environment. KRC, having a strong institutional capacity and expressly non-partisan focus on community revitalization, was in a position to approach the community and begin the process of integrating the opposing neighborhoods through a strategy focusing on the youth of the area. Phillips realized that the future of downtown Kingston rested on rehabilitating the caretakers of the community. This could not be done without increasing mutual understanding and the opportunity for education and skills training. This strategy has led to the improvement of self-confidence and self-worth of the people living in the community.

Indeed, the urban revitalization process hinged upon a comprehensive approach to community, economic, and physical development. With this focus in mind, KRC realized the necessity of investing in a number of non-income generating activities to improve the community's participation in their development plans and initiated a select number of civic improvement projects.

**FIGURE 6
KRC'S COMMUNITY DEVELOPMENT PROGRAMS**

Program	Major Strengths	Benefits
Higholburn Street Complex:		
a) YESS (Youth Educational Support Systems)	Provides a neutral base where youths can undertake homework projects and take part in cultural, recreational, and training activities in a supervised atmosphere, such as anti-drug abuse marches and programs. One hundred sixty high school students participate.	Is a neutral base, free of political influence of either party. Takes youths away from potential trouble spots which exist in the wider community, e.g. the "crack corner" or street gangs.
b) Nursery	Clean, safe environment, children well fed. Twenty children participate.	Parents free to focus on earning a living. Balanced and nutritionally adequate diet of children will stimulate the mental development needed at the next stage of school.
Basic School	Basic education provided at affordable levels. Not crowded and has adequate teaching aids. Forty children participate.	Children are, albeit temporarily, in an environment free from violent disputes, gun play, and foul language. An alternative lifestyle is demonstrated.
Library	The library provides facilities for research on school projects and reading for recreation. Its collection is limited at present.	Introduces a discipline of reading and research which is generally absent from the wider society, and which will stimulate a quest for knowledge and self improvement.
Health Clinic	Medical treatment can be given in a stress- and violence-free environment, in contrast to the situation at the Kingston Public Hospital. It is estimated that 2,500 visits/month are made to the Health Clinic.	Emphasis on community participation will encourage community members to feel responsible for the Health Clinic and the security of its facilities. Less danger from theft. The easier access to health facilities should result in reducing STDs.
Community Policing	The three policemen assigned to walk in the area have developed a brotherly relationship with residents, while still retaining powers of arrest.	The people's perception of all policemen as "agents of brutality" has changed. People also make a distinction between Gold Street police and the Anti Crime Investigation Division (ACID), who are particularly rough and crude in their investigations.
Community Organizing	Provides the mechanism for community involvement through existing, active programs.	Through the YESS Parents Group, Health Clinic Consultative Committee, and the Gold Street Consultative Committees, citizens are involved in the decisions that affect their lives; creates a sense of "ownership" in the community.
Jones Town Project	Through the "Lessons Learned" of the Inner Kingston Development Project, KRC will replicate their community development-focused approach in an area in serious need of assistance.	GOJ and other donor support (e.g. British Office of Development Assistance [ODA] and the Government of the Netherlands) of this project is calling wider attention to KRC's successes.

1. KRC Youth Educational Support System Program (YESS)

This leadership development program is one of KRC's central strategies aimed at improving the inner city communities of downtown Kingston. In 1988, findings of research by the University of the West Indies revealed that drug dealers were targeting the bright high school students of inner-city communities to be their salespersons. The findings also showed that over 40 percent of high school children dropped out of school before completing fifth form. Among many factors contributing to the high rate of high school dropouts are: teenage pregnancy, lack of parental guidance, lack of role models, and poverty. The Project Area includes a community which is troubled by severe partisan politics and notoriously known as "Southside" and "Tel Aviv" due to the conflicts between the Jamaica Labour Party (JLP) and the People's National Party (PNP). This politically polarized community struggles to survive amid high unemployment; crime and violence; extreme poverty; and poor living, housing, and environmental conditions.

In 1988, community leaders, motivated by Elizabeth Phillips, created the YESS Program and initially involved 60 students. The program hopes to facilitate the development of young people in this blighted area through a number of activities:

a. Teen Center

The YESS Program is housed in the KRC Teen Center, which is situated at 4 Higholburn Street. With the renovation and establishment of this facility, students now have a place to go after school where they can find a decent desk and a well-lighted and staffed work environment. This renovation was made possible by funding from the US Embassy's anti-drug program.

b. YESS Scholarships

In addition to this homework center, each student participating in the program received a YESS Scholarship. This scholarship is administered based on need and goes towards paying school fees. The scholarships are available at secondary and tertiary levels, and have also enabled some students to pursue courses at the College of Arts, Science & Technology (CAST) and at other institutions abroad. Fourteen YESS students have gone on to college, including four to the U.S. through the Caribbean/Latin American Scholarship Program (CLASP). This program has received wide recognition: in 1992, the US-based International Downtown Association presented KRC with an award for the excellence of its YESS Program.

c. YESS Groups

Organized activities for young people are ongoing in a number of areas. The YESS Teen Center supports an **Environmental Group** that seeks to educate the community as a whole on the ills of environmental degradation. The group also conducts a monthly clean-up of a section of the Downtown Waterfront area. As a result of this activity, the

YESS students were invited to participate in an eco-camp in Rio de Janeiro, Brazil, in May 1992. The Youth Camp was the forerunner of the Earth Summit Conference.

The YESS Teen Center also supports a **Cultural Group** of singers who are under the direction of Ian Hird, Music Instructor. The group often performs at various functions. The students also write most of the lyrics for the songs they perform at community functions, such as the opening of the Gold Street Police Station.

The need for **Care of the Elderly** is addressed by all participating YESS students. They are divided into six groups for this activity of weekly home visits in the community where they provide assistance in any way they can, such as reading to the elderly residents and attending to their personal hygiene needs.

Ongoing **Counseling** is provided to the students, who are encouraged to do their best at school and also to master the skills of socialization. Referrals may come from teachers, parents, neighbors, friends, or perhaps the students themselves may turn to the staff at the Teen Center for help in dealing with scholastic, domestic, or health-related problems.

The **YESS Parents Association (YPA)** includes teachers, Teen Center staff, and the parents of YESS students. The group meets monthly and discusses various topics focusing not only on the progress of the students, but also on parenting skills.

Through independent community interviews, the overwhelming consensus points to the fact that the YESS program has made marked strides toward keeping children from being lost to the streets. Where "social safety nets" were non-existent in the past, they are now protecting youth, providing them with the tools they need to ensure their participation in the community as productive citizens. The exposure provided by these programs is enabling students to help themselves through academic achievement and to develop the self-confidence and self-esteem needed for creating the community leaders of the future Downtown Kingston.

2. **KRC Health Clinic**

The Hanover Street Baptist Church Health Clinic was established in response to the need for medical care in the aftermath of Hurricane Gilbert. As there was an absence of primary health care in the community, particularly for the elderly, ill, and infirm, the hurricane was especially devastating for these people. KRC sought to establish this community health clinic as a result.

The clinic initially focused on providing only basic services such as post-natal care, home visits by two community health aides, dressings for wounds, and on-site doctors' visits. The clinic then expanded to include other services such as family planning and geriatric care. To date, KRC provides organizational management for the facility while the Hanover Street Baptist Church has made space available free of cost. The clinic is staffed with a Registered Nurse/Administrator; an Enrolled Nurse; two practical nurses; two community health aides; and two part-time doctors.

KRC, with assistance from USAID, provides financing for the clinic. Additionally, contributions both in cash and in kind have been received from the following organizations: National Continental Corporation, American Women's Group, Canadian Women's Group, and Operation USA.

At the time the clinic was established, it was envisaged that a type 5 Health Clinic would be built east of the Church. As this has not materialized, KRC continues to operate the clinic. KRC is in the process of strengthening management of the facility in two ways: first, in order to increase revenues and better recuperate costs, the fee of J\$20.00 has been increased to J\$50.00. Most users of the clinic seem willing and able to pay the increased fee. People who use the facility and can afford to pay will be asked to pay the market rate for the clinic of J\$100.00 per visit.

Secondly, as it was realized that the overall management of the clinic requires a wider community input, KRC and the Hanover Street Baptist Church have formulated a Board of Directors for the Health Clinic. The Board includes two people from the various involved sectors of the community, such as the community residents, the Church, the clinic, KRC, the business community, and the Ministry of Health. In this way, KRC expects to draw upon the resources of these people to raise additional funds to continue the clinic.

3. Community Policing and the Gold Street Police Station

KRC looked at the decline in the quality of life in the communities of Southside and Tel Aviv and decided that the residents needed to take action to allow for self-determination. The community policing project was designed to facilitate and empower residents to take actions that would ultimately lead to greater safety, security, self-determination, and mutual benefit.

KRC designated the area of Central Kingston straddling Southside and Tel Aviv to be a model community policing project. The goal of the project was to improve the relations between the neighborhood and the police, lower the level of crime in the area, and serve as a national model. This area has a history of political polarization and warfare.

Community policing seeks to utilize the resources of the community to fight against crime and to reduce the fear of crime. It is a strategy that allows the police and community residents to work closely together in new ways to solve the problems of crime, physical and social disorder, and neighborhood decay.

Community policing seeks to embrace people and organizations within the community in the joint purpose of protecting it from the criminal element, so as to improve the quality of life or informal working relationship with the police. In order to institutionalize this concept, the Gold Street Police station needed to be renovated and staff needed to be trained in conflict resolution and community relations. The Canadian High Commission made a grant of J\$529,187 to KRC to assist in these efforts. KRC was able to raise the funds needed to rehabilitate the police station by issuing a "community bond."

Now that the station has been renovated and furnished, the next phase of this project includes setting up special training programs for the police officers as well as workshops for members of the community. The basic philosophy behind this project is to foster political neutrality. The Gold Street Consultative Committee brings residents, the police, and the business community together to solve problems. In addition, the private sector as well as those residents who operate small businesses are involved in community activities through their commitment of time, cash, or in-kind resources and other support necessary for the operation of this project.

The results of community policing and KRC efforts are that the political violence has abated. In addition, the tightening of government budgets has decreased political handouts. Furthermore, the community residents and business owners have realized that in order for economic development to take place, the environment must be safe.

4. Community Outreach

In order to improve community residents' involvement in opportunities and solutions for the revitalization of the area, the Community Development Director intends to establish a Community Advisory Committee to facilitate community management of activities. With the Community Outreach Officer, the Community Development Director will work with community based organizations to establish a committee that will ensure greater community participation and management of KRC community development programs. The community participation from these activities, such as "Labour Day" and "Christmas Treat," will encourage self-reliance and a sense of ownership of the area's improvements.

These activities will support the Community Development Department's final goal of developing a Network of Urban Community Based Organizations (NUCO). According to KRC's Transitional Operating Plan, this project, to be funded by Canadian International Development Agency (CIDA), is "geared to document and replicate successful initiatives, create a collaborative mechanism to enhance program delivery among Community Based organizations, and to maximize resources by eliminating duplications."¹¹ The Community Development Director views this network as an absolute necessity to create linkages and share experiences with other service providers in the area. In this light, KRC will continue to be the initiator and facilitator of social services as opposed to trying to be the social agency of Kingston.

D. KRC as a Public Relations Agency

KRC has played a pivotal role as the public relations entity for the promotion of downtown Kingston. KRC has been responsible for numerous magazine and newspaper articles on downtown Kingston's positive attributes and upcoming events. The KRC Director has made numerous talk show appearances on radio and television. Consequently, downtown Kingston is now the host of many lively events such as "Sunsplash Downtown" and the "King Street

¹¹"Transitional Operating Plan," Kingston Restoration Company, page 7.

Festival.” Such activities have been important factors in changing the image of Inner Kingston and attracting investment to the area.

E. KRC as a Facilitator and Initiator

One of the most important and unexpected outputs of the project has been the evolution of KRC's leadership development role as a facilitator and initiator. Great credit should be given to the KRC Board and its staff, particularly Morin Seymour (its executive director), for building KRC into an effective and respected organization. From the beginning, KRC, unlike many Jamaican public and private institutions, was committed to carrying out its programs in a non partisan and transparent manner. Moreover, KRC wanted to be viewed as an effective and professional organization and avoid promising benefits it might not be able to deliver.

In terms of the residents of the area, the strategy of KRC's Community Development Department was to finance activities and services that were non political and provided essential and readily available health, recreation, and employment services. KRC worked hard to involve community residents in the design of its programs.

KRC also involved the business community in developing its program to build credibility for KRC and to provoke interest in Inner Kingston. KRC efforts included, for example, speeches to business organizations and community groups, regular meetings with key business leaders, distribution of brochures and an attractive annual report, and development of a media campaign to promote KRC and Inner Kingston. Subsequently, KRC demonstrated it could rehabilitate and tenant buildings relatively efficiently and complete complicated land assembly transactions. These successes built respect for KRC staff in the business community and helped to lend credibility to KRC's revitalization objectives.

KRC involved UDC and other relevant GOJ organizations in developing its plans, provided various types of assistance to GOJ and KSAC, and participated in important GOJ sponsored meetings on Inner Kingston. The results of all these efforts were that GOJ recognized KRC to be an organization that could get things done and could act quickly.

KRC's effective and creative implementation of its project activities earned it a leadership role and added significant credibility to the Project as a whole. This accomplishment has had many consequences. Both the public and the private sectors looked to KRC to play a leadership role in mobilizing the community and facilitating the resolution of complex problems related to such issues as crime and relocating the higglers. The low income residential community developed trust in KRC and relied on it for assistance and guidance. Because KRC functioned effectively, some real estate investors agreed to invest in KRC developments or lend money to KRC. The business community became more aware of opportunities downtown, and investment data suggest many of them decided to invest there. UDC agreed to give money to KRC for street improvements. In large part because of KRC, GOJ is giving more attention to Inner Kingston and has developed an investment tax incentive package. GOJ asked KRC to manage the rehabilitation of Public Buildings West

and development of a project for Jones Town. USAID made a large grant to KRC to carry out hurricane relief work in 1988. Other cities in Jamaica asked KRC for help to set up organizations similar to KRC for their community. Foreign donors such as the World Bank and ODA expressed admiration for KRC's success. Morin Seymour was appointed to the Board of the International Downtown Association.

In this role as facilitator and initiator, KRC undertakes a variety of marketing and public relations activities. According to KRC, due to budget restraints, its marketing and public relations activities have been significantly scaled down. The opinion of the evaluation team is that these activities are fundamental to KRC's role in promoting the downtown and that they should continue in some capacity. There are cost-effective possibilities for promoting KRC's successes and the attraction of Inner Kingston—the least of them including continuation of information dissemination activities such as orchestration of press conferences and releases in conjunction with *The Gleaner*, dissemination of KRC's Annual Report, etc. In fact, the evaluation recommends that a small portion of any additional resources going to KRC be earmarked for this purpose.

F. KRC as a Planning Organization

1. Downtown Kingston Management District (DKMD)

KRC recognized that the lack of government programs and of collaboration between government and private sector financing was jeopardizing the strength and stability of the retail, commercial, residential, and industrial areas contributing to the economic health of Kingston. In order to create an organizational structure capable of improving the quality of the environment, security, and attractiveness of Inner Kingston, KRC initiated a workshop in April 1993 that led to the establishment of the DKMD.

According to the report of the DKMD Public Forum, produced by UDC and KRC, the definition of a management district such as the DKMD is as follows:

A Downtown Management District or a Business Improvement District is an organizing and financing mechanism used by property owners and merchants to determine the future of their retail, commercial, and industrial areas. The DMD can utilize existing laws to band together to assess themselves. The funds collected can be used for purchasing supplemental services (e.g., maintenance, sanitation, security, promotions, and special events) and capital improvements (e.g., street furniture, tree plantings, special lighting) beyond those services and improvements provided by the government. In essence, the programme is one of self-help through self-taxation.¹²

The DKMD is still in the early stages of its development. However, it has obtained the necessary support of business leaders downtown (See **Attachment D** for details), and its potential is enormous and far reaching.

¹²Victor J.N. Cummings, *Public Forum: Downtown Kingston Management District*, Urban Development Corporation and Kingston Restoration Company, 28 September 1994.

The DKMD has developed, in part with subgrant funding and active participation from UDC, in spite of the absence of formal incorporation until recently and appropriate taxing mechanisms. The Metropolitan Parks and Markets (MPM), Kingston's solid waste authority, is working with the DKMD to improve services in this area. According to Greta Robinson of MPM, they have trained DKMD street sweepers who should move from operating two street sweeping shifts per day to operating three street sweeping shifts per day very shortly. MPM's view of the DKMD is highly positive: the Minister of Local Government has endorsed the DKMD project and has pledged full support for its growth.

However, there are some risks to be taken into consideration at this stage of DKMD's development. KRC was the initiator of the DKMD, and now, as the DKMD takes form, KRC must evolve with it to take on yet another role of collaborator. The DKMD's powerful Board of Directors poses potential conflict of personalities that needs to be resolved. The roles of all the players must be very clearly defined to avoid any misunderstanding. Care must be taken to ensure complementary action is taken—not antagonistic competition. KRC needs to establish a defined relationship with the DKMD to ensure a concerted, non-overlapping program. For example, KRC could pledge to undertake the activity of lobbying GOJ for the establishment of the legal framework necessary to levy a self-imposed tax on the district. Such a tax would generate revenues for the operation of the DKMD.

To date, the DKMD has made significant progress in fulfilling its promise. KRC has initiated the organization and training of the Kingston Courtesy Cadet Corps involving young adults from both JLP- and PNP-allied communities to provide auxiliary security services. As part of its downtown security improvements, the DKMD is moving to employ the Courtesy Cadets on a full-time basis. As of January 12, 1995, the DKMD is an incorporated entity, with a Board of Directors separate from KRC, except that KRC is a member of the Board. The Chairman of the Finance Committee is a prominent business owner who has pledged to raise J\$2 million for initial operations. Further, DKMD has been awarded the MPM contract for street cleaning and garbage collection in the downtown area.

The DKMD is a premier example of success in advancing business development by gaining business participation in the solutions to problems downtown. It is a unique private sector effort for a developing nation. KRC performed a catalytic role by getting the private sector to take a proactive role in improving public services downtown. KRC divested the DKMD as the private sector emerged to take over the responsibilities. The creation of the DKMD is a noteworthy example of the effective deployment and leveraging of a small amount of USAID funds. Furthermore, the DKMD is another example of KRC's diverse fulfillment of the Inner Kingston Development Project's goal of involving broad participatory process to build community consensus and support.

2. Vision 2020 Plan

Although KRC was instrumental in developing this important new plan for Inner Kingston that offers new approaches and ideas to development, the plan has some limitations. (See section III.B.5. for a description of how the plan was developed.) Vision 2020 possesses

the advantage of having been developed with significant inputs from the public and private sectors as well as residents from the area. The document, however, is extremely lengthy and unfocused and does not provide a basis for a clearly articulated agenda for both the public and private sectors. There is a need to distill and summarize the information and define a clear cut plan of action. In addition, there is a need to determine whether UDC is prepared to adopt the resulting plan of action as the new plan for the downtown core. As mentioned in other sections of this report, UDC's current plan is outdated and does not reflect current market conditions.

V. ASSESSMENT OF THE ROLE OF THE JAMAICAN PUBLIC SECTOR

A. The Role of the Urban Development Corporation

UDC's major Project elements are nearly finished, but UDC's overall vision of West Kingston has not been completed. UDC has been unable to obtain the funds to complete the West Kingston Markets project. The site for the proposed Urban Bus Terminal is unused. UDC and KRC have not developed the close links that had been anticipated. UDC does not appear to have a plan or vision for supporting the momentum that has been generated by the Project and substantial private investment. For example, its plans to use the former Oceana Hotel as a temporary government office seem short sighted. UDC lacks a strategy and a marketing plan for selling or developing the property it owns. Uncompleted projects are a blighting influence downtown. Because of UDC's legal authorities, technical and financial resources, and property holdings, its active participation is key to a successful revitalization effort. At present these resources are not being used to their potential.

B. The Government of Jamaica

As noted earlier, the active involvement of GOJ in supporting downtown revitalization efforts is crucial. In large part due to KRC's efforts, GOJ has become an active supporter of renewal downtown. GOJ needs to continue to make tangible commitments of good will and money to Inner Kingston. Evidence of such commitments might include: (1) expediting the approval of the tax incentives legislation, (2) mandating that UDC staff give priority attention to downtown initiatives, particularly completing projects in West Kingston and marketing sale of land and buildings downtown to the private sector, (3) encouraging government agencies to relocate downtown, and (4) giving the Task Force for Downtown Improvement high visibility and the active support of the Office of the Prime Minister.

C. Recommendations to Improve KRC's Relationship with the Public Sector

There are a number of ways for KRC to improve its relationship with the public sector. These include:

- Foster collaboration with UDC to determine how the developments in West Kingston can be completed and linked to the rest of Inner Kingston. Particular attention should be

given to the use of vacant land owned by UDC, especially with reference to uses for the land on which the Urban Bus Terminal was to be built.

- Further reinvigorate the relationship with UDC in other areas, such as collaboration on the Downtown Plan. For example, in spite of the unprecedented participatory process used to develop the Vision 2020 Plan, the plan itself lacks relevance to conditions in Kingston. KRC should work with UDC on a follow-on program for better use of this document in order to incorporate it, to the extent possible, into an implementable plan for downtown development.
- Actively participate in the activities of the Task Force for Downtown Improvement to help define the roles that each organization will play, particularly KRC, UDC, DKMD, MPM, and KSAC.
- Continue to work closely with GOJ ministries to find suitable space for relocating government offices downtown.

VI. ISSUES/OPTIONS FACING KRC'S COMMUNITY DEVELOPMENT PROGRAMS

A. Unresolved Issues

KRC's community development programs are being implemented in a difficult environment, and with certain funding and staffing constraints. Some of the programs planned, while having benefits, present unresolved issues which question the long term effectiveness of these programs. These problems are discussed below.

1. Funding

The future financing of KRC's Community Development Department is dependent upon a number of factors. The Department aims to be fully self financing as of July 1, 1995. In order to reach this goal, the following actions must be taken:

- The KRC Community Development Foundation (KRCDF) must be established.
- KRC must coordinate its community development programs with other organizations working in the area (e.g. Multi-Care, Grace Kennedy, etc.).
- The Community Development Department must concentrate on a fundraising drive to raise its total direct program budget of J\$5 million for the 1994/1995 fiscal year.

The Community Development Department has already undertaken a number of activities designed to reduce operating and overhead costs, such as relocation of office space, and expects to see a saving of J\$180,000 annually.

According to KRC's Community Development Department (soon to become KRCDF) budget, KRC is being conservative in its estimates and commitments (for example, the environmental program and networking activities will only be implemented when funds are

obtained). However, there are still many unknown factors facing the future financial sustainability of the organization.

KRC recently undertook to cut its budget to the bare minimum and will continue to look at additional cost saving mechanisms. It is unlikely that the evaluation team could propose any additional reductions in operating costs or salaries to aid in KRC's aim to be self sustaining. For the 1994/1995 fiscal year, the Community Development Department proposes a total operating budget of J\$4.9 million. Of that total, KRC has requested J\$2.1 million from USAID. The greater percentage of this amount is to be allocated for administrative costs as it is easier to raise funds for specific programs rather than general overhead. The remaining portion of the budget is to be raised from other donors, the collection of fees, and fund-raising.

In 1993 the Director of the Community Development Department raised J\$529,000 from CIDA for rehabilitation of the Gold Street Police Station. The fundraising process continues with the inclusion of Rotary Club in financing a three year capital expansion program at the Teen Center, with total funds and in-kind contributions totalling J\$600,000.

Although the fundraising possibilities look promising for community development programs, reliance on such funding could pose a number of problems. USAID is facing severe budget cuts, and in the absence of the proposed J\$2.1 million from USAID, it would be impossible to make up the gap for the 1994/1995 fiscal year through fundraising. It is for this reason that KRC is resolved to establish a Community Development Foundation.

2. Staffing

In order to achieve sustainable community development in the difficult circumstances facing Inner Kingston, it is necessary that KRC employ, or have access to, trained social workers or community development practitioners who are skilled in developing strategies to overcome the political and socioeconomic obstacles.

The Director of the Community Development Department has the skills, training, and experience to design programs and guide the implementation of community development strategies. He is supported by a highly committed staff, but as is reflected in the workplan, he is still responsible for the implementation of many day to day activities in the various programs of the Department. This is a reflection of the limited community development skills of the supporting staff.

In spite of these limitations, the Community Development Department has succeeded in establishing and implementing effective community projects. In order to move the community to the next stage of self sustainable development, attempts must be made to upgrade the working conditions and the qualifications of the staff, so that the additional challenges can be tackled.

3. Housing

The majority of houses in the KRC Project Area are substandard and even derelict. Most of the houses in the project (63 percent) are over 45 years old. They have been poorly maintained and cannot be renovated or improved. Revitalization of Inner Kingston must address the housing problem as well as commercial and industrial redevelopment. There is extensive demand for proper housing in Inner Kingston, but this demand is not effective because:

- The median house price in Jamaica is J\$353,000 which is 20 times the median household income in the area.
- About 40 percent of the adult householders are self employed and do not contribute to the National Housing Trust (NHT), which provides contributors with low interest loans and units. Therefore, they are not eligible for housing solutions offered by NHT.
- One of the solutions offered by NHT which would allow for the improvement of housing in the area at an affordable level is the "Build on Own Land" option. However, only 6 percent of the households in the area own their homes and land. It is not known how many of these households are NHT contributors and would qualify for assistance.
- About 40 percent of the household heads are unemployed or irregularly employed, and therefore are not in a position to make mortgage payments.

Due to the above circumstances, traditional housing solutions offered by the public and private sectors cannot be utilized in this area. Creative solutions have to be developed to solve the joint problems of housing, unemployment, and irregular and low incomes.

KRC has recognized the need for proper housing in the area and has founded the Kingston Restoration Housing Company Limited (KRHC), which is affiliated with KRC but will operate as a discrete entity on a commercial basis. The company was formed to orchestrate the development of housing in Inner Kingston. KRHC is funded from non USAID KRC resources. It is planned that KRHC will work through the Community Development Department to implement housing projects. Equity and shareholder loans from the shareholders in KRC will be used to finance the operations of the company.

A range of housing solutions have been proposed by KRHC, and in fact one solution has already been designed and is ready for financing and sale. A design for 35 one bedroom units at 86-88 Hanover Street to be built at a cost of J\$30 million has been completed, and an application has been made to NHT for financing. These units are geared to a middle income market which does not exist among the residents in that area. Although KRC reports that NHT appears interested in financing the scheme, it may not be wise to adopt this strategy as the first step in dealing with the housing problem of Inner Kingston. The reasons for this are:

- The majority of the existing population will be unable to purchase housing in this development, which may cause feelings of resentment;
- Construction material, and later the completed units, may be targeted for robbery as residents attempt to correct what they perceive to be an unfair allocation of resources;

- According to KRC, the few persons from the area who may be able to afford these units are involved in illicit commerce, such as drug dealing. Such people may take advantage of the opportunity to secure a comfortable base in the area.

For these reasons, it is advisable to focus first, or simultaneously, on the strategies for affordable shelter in the area. The two strategies proposed by KRHC are poverty alleviation and community housing. Both these strategies appear to recognize the low level of income and high unemployment of many householders in the area, but as yet they are only in the early stages of formulation.¹³ In developing these strategies it is necessary for KRHC to work with the community members through the Community Development Department to ensure that final proposals have community input and support.

4. Training and Jobs

KRC's job creation activities have, to date, produced jobs mainly for factory workers at the Machado complex. The Urban Institute reported that 94 percent of the target of 2,500 jobs (i.e. 2,361 jobs) have been created and that of this number, 82 percent are in garment manufacturing, where 86 percent of the workers are female and 94 percent live within three miles of Inner Kingston.¹⁴ While this performance is credit worthy, there are number of issues which need to be addressed:

- The lack of male job creation is problematic, since unemployed males are widely perceived to account for a large part of the area's social problems.
- Garment manufacturing is unstable, as manufacturers have been known to move from one location to another (inside or outside Jamaica) in response to modest changes in costs or other social factors.
- Many of the unemployed are not attracted to factory work, which is perceived as involving very poor conditions and offers little prospect of social advancement. They prefer to be involved in their own business, or in activities which can bring returns based on their own skills, such as craftmaking.

KRC appears to have recognized these problems and has proposed a job generation program which focuses on skills training, male employment, and occupational diversification. The Higholburn Street Complex is slated for further development as a skills training center, where vocational skills in the areas of wood work, electrical installation, sewing and pattern making, book binding, welding, typing and computing, data entry skills, photography, and garment manufacturing will be taught to both young men and women.

While this strategy does address a need, at the same time it raises the expectations of program participants. On completion of any one of the training programs the participants will expect to move on to jobs which will pay them enough to improve their social and economic

¹³"Transitional Operational Plan," Kingston Restoration Housing Company.

¹⁴George Peterson, op. cit., page 5.

status. This job placement linkage is absent. The Rotary Club is presently funding the expansion of the Higholburn Street Complex into a training facility. When the past and present Rotary Presidents were asked whether they could ensure job placement of the trainees through the network of Rotary members, they responded negatively, stating that their role was only to make the trainees more marketable. This issue must be addressed because if the expectations of these trained graduates are not met with job opportunities their enthusiasm may turn to frustration and anger, and KRC would be blamed. The recommendations in Section VIII suggest possible strategies for addressing this problem.

5. Development and Strengthening of Community Based Organizations

One of the goals of the Community Development Department is to increase the involvement of the residents in the planning and implementation of projects and to establish a community based organization (Community Advisory Committee) to facilitate management of activities by community members rather than external personnel. This is a long term goal of many community development programs and, in the case of Inner Kingston, may generate other problems.

Inner Kingston is well known as the source of outbursts of political violence, as both political parties encourage local party activists. A study of politically volatile communities identified political patronage as the greatest obstacle to community development in Jamaica as it "... further perpetuates the poor's psychological dependence on the government, blinding them to the existence of their right to participate in the planning and implementation of activities which affect their lives."¹⁵

In such a context, KRC's community development program would serve to:

- Depoliticize the community, creating independence of community members from the political parties.
- Empower community members to act first for the betterment of the community as a whole, instead of party factions.

These developments would be tactically opposed by the internal grass roots workers and external political representatives because the process would reduce their power over the people. This situation must be handled with extreme sensitivity, preferably by trained community workers who can respond to the local circumstances and plan strategies as needed. In view of the shortage of such trained individuals in KRC's Community Development Department, particular attention should be paid to training and sensitizing staff to the strategies needed for working in politically volatile areas, as the Director cannot always be in the field.

¹⁵Carlene Edie, "From Manley to Seaga: The Persistence of Clientist Politics in Jamaica" *Social and Economic Studies*, March 1989, 38(i), page 13.

6. Competition with Government Functions

The extent to which KRC is replacing government functions, as in the case of KRC Health Clinic, must be addressed. There is now a sense of ownership coming out of KRC's assistance that is resulting in an organized community better equipped to help itself. Through KRC's institutional capacity, the community is now more aware of issues such as safety, cleanliness, and drug abuse. It is doubtful that this community based sensitivity could have resulted from a centralized, government-directed intervention.

However, at times this has also resulted in a waste of Jamaica's meager resources. The KRC Health Clinic is located within commutable distance to a Government Health Facility that according to USAID's Betsy Brown, former Executive Officer for the Office of General Development, is operating well below capacity. Although the KRC Health Clinic was established to allow community residents to pay visits to a facility in their own neighborhood to avoid crossing dangerous gang boundaries, this provision does have certain negative consequences.

In this way, not only are the resources of the existing government health facilities wasted, but also the sense of community identity is taken one step too far into community isolation. It is argued that the Health Clinic's Board of Directors should take an inventory of all public and private services in the area and lobby to consolidate them, thereby leveraging the available funds. There is an overwhelming consensus that existence of the Health Clinic is very important to the community served. However, the original aims of Elizabeth Phillips (former director of KRC's Community Development Department) to integrate the members of opposing neighborhoods into the broader society should be incorporated into the future management strategy of the Health Clinic's Board of Directors.

B. Strategic Options

1. Improving Financial Management

Although KRC's budgetary circumstances do not allow the optimum number of staff to handle such tasks, the Community Development Department must seriously focus on its current and future financial situation. If KRC were to maintain the status quo and continue to operate without focusing on improving its financial management, its plans to expand community development activities would be at risk.

For example, according to the Department's operating plan, "a detailed income and expenditure schedule for administration and all programme areas are [sic] being developed and will be attached with full programme outlines as appendices."¹⁶ To date, this information is still unavailable although the budget connected to this "detailed income and expenditure schedule" is for July 1994 - June 1995. When asked to provide the evaluation team with specific

¹⁶"Transitional Operating Plan," Kingston Restoration Company, page 30.

information, the Community Development Director explained that the budget was "still being revised."

However, the consulting team is not equating the KRC Community Development Director's lack of response in providing future budget projections as an overall indictment of KRC's financial reporting and controls. The significance of this point lies in highlighting the role of KRC's Business Plan. The consultants commend KRC for its Business Plan. The development of this document was a significant step, rarely accomplished by other NGOs in Jamaica. However, business planning is a continual process. KRC must maintain the impetus of this effort through the full implementation of the Business Plan to better improve financial planning.

In the absence of current and accurate financial information, KRC faces problems more serious than a simple need for targeted fundraising. If KRC were to remain operating as it is—with the scheduled termination of USAID grant support in 1996 and without adequate financial reporting and controls—financial sustainability is at risk.

Regardless of USAID's and KRC's decision on the future structure of the Community Development Department, the evaluation team strongly agrees with USAID's request that KRC develop a detailed income and expenditure schedule built from an actively maintained computerized system to ensure the financial viability necessary for the future of its activities. This activity will also aid in convincing possible donors that KRC is constantly cognizant of its financial status.

2. Impact of Terminated Community Development Activities

Community development activities are generally not income generating and in the context of the developments of viable business ventures in real estate and industrial development, spending money which does not generate income may be viewed as an unnecessary waste. However, the long term economic development of downtown Kingston cannot take place without parallel improvements in the welfare of its residents. Crime, drug sales and addiction, and violence are characteristics of economically depressed areas, and these conditions are a deterrent to prospective investors. This was the main reason that KRC started community development work in the Project Area. This evaluation has indicated achievements and problems associated with these activities.

Community development activities are nevertheless a burden on KRC's already limited financial and human resources, and in view of KRC's demonstrated limited revenue generating capacity KRC and USAID may give consideration to discontinuing the funding of all community development activities.

This consideration would be unwise for the following reasons:

- KRC has built up a reputation of being an organization which works for the development of everyone in downtown Kingston. Discontinuing community development work would

encourage feelings of resentment and may lead to the sabotage of physical improvements elsewhere downtown.

- Community managed, self sustaining projects are the ultimate objective of KRC's community development programs, but this stage of development has not yet been attained. To cut funding at this stage would curtail this process.
- KRC is in the early stages of securing long term funding for community development activities from private sector companies. To cut funding now may prevent this link between KRC and the private sector, which has the potential of contributing to the maintenance of the community projects, from developing.
- The gains made with respect to reduction of crime and drug sales and development of a positive growth environment would be lost.

According to Sonia Jones, KRC Board Member, community development programs are the most important aspect of KRC's credibility in downtown Kingston. The continuity of this assistance is creating a new generation of citizens believing in the process of revitalization. People who in the past would mature to adulthood in an environment with literally no social safety nets are now cognizant that they have a place in and responsibility to the community. There is no question that KRC has delivered intangible socio-political value for the strategic investments provided by USAID. There is also a community-wide consensus—from private business owners to social service providers to citizens—that the comprehensive social and economic scope of KRC's activities must continue in some capacity.

3. Relationship with KRC/Multi-Care Foundation

The Multi-Care Foundation channels funding from three major private sector companies for community development activities in Inner Kingston. The aim of this foundation is to promote activities leading to the healthy growth and development of Jamaican citizens with primary focus on youth and community. The companies funding these activities (Caribbean Cement Company Ltd., Industrial Commercial Developments Ltd., and Telecommunications of Jamaica) have pledged J\$50 million over five years, but they do not wish to become involved with the day to day management and implementation of the projects. At the same time KRC is short of funds to continue payment of a full-time person for the Community Outreach Projects. Thus it has been mutually beneficial for KRC and Multi-Care to share the salary for this community worker.

Currently, both KRC and Multi-Care have representatives on the other's Board of Directors. This link ensures collaboration, representation, and information dissemination. This arrangement can work, but care must be taken to give public acknowledgement to the private sector companies for projects they sponsor. KRC has such a high profile downtown that many people assume that any improvements or social projects originate from that office. Public acknowledgement of funding sources is one way of making these companies feel that they are contributing to a worthwhile effort and may also have the effect of attracting other companies to donate to or adopt social programs in the area.

Merging KRC and Multi-Care would provide guaranteed access to corporate funding, while at the same time drastically reducing both KRC's and USAID's control over the development and implementation of community development activities. Although the missions of KRC and Multi-Care are synonymous, the opinion was widely expressed that they are not "natural partners" and that combination of these two organizations would not be productive. Each has different parameters for their activities: KRC is focussing on its Project Area, while Multi-Care's activities are country-wide. Also, understandably so, each deserves credit for creating social safety nets in Inner Kingston. It is for this reason that KRC and Multi-Care should remain two separate—but constantly collaborating—organizations. Each has its own set of objectives and driving forces, and it would be unrealistic to merge them.

4. KRCDF

KRC has proposed to create a Community Development Foundation (KRCDF) and endow it partially with USAID funds. If KRCDF obtained tax exempt status, businesses would be allowed to make tax deductible donations to it. As KRC is currently in the best possible position in the community to continue its unprecedented trend of fostering citizen participation, it is an opportune time to consider the creation of such a foundation. However, KRC must achieve financial self sufficiency to do so.

Establishing KRCDF is expected to be a positive step toward KRC's self sufficiency. KRC has undoubtedly proven its institutional capacity to manage such a foundation, and this strategy is consistent with the objectives of USAID's strategy for the Project Area. According to a USAID communiqué dated July 28, 1994, titled "Guidelines to Implement USAID's Authority to Capitalize Endowments with Appropriate Funds" there are numerous valuable benefits resulting from this funding strategy:

- The endowment would be used to broaden and enhance the funding base of the activities that KRC is engaged in with the goal of stabilizing its long term horizon. The short term grants and series of grants are insufficient to realize the full program objectives.
- The financial stability provided by this endowment will insulate KRC from unpredictable government and donor agency budget fluctuations. KRCDF would then have the opportunity to become more independent and self reliant in identifying and solving environmental, economic, and social development problems.
- The endowment would allow KRCDF to attract other funds by increasing donor confidence, thus leveraging the USAID funds. Furthermore, continuing the relationship between KRC and its community development arm would enable KRCDF to establish a separate cost center under KRC while still attracting other donors.
- USAID financing of this endowment could be used to encourage the establishment of philanthropic principles throughout Jamaica.
- The endowment would allow KRC's community development activities to be institutionalized and therefore to continue beyond USAID's scheduled project termination in 1996, when they otherwise may not have been.

However, the above-mentioned communiqué also states that there are a number of “unique difficulties” that must be considered in order for funding to be approved. According to a USAID memorandum in reference to KRC’s Transitional Operating Plan, “all USAID grant funds applied to the Foundation endowment should be derived from KRC reflows... [as]...USAID regulations for direct funding of an endowment are too complex.”¹⁷

According to KRC’s budget figures, J\$4.9 million is needed to fund KRC’s community development program yearly. The funds necessary to create a foundation and support annual activities could be managed in a number of ways, such as annual grants or using the reflow model to create an endowment. Given the unpredictable nature of fundraising, it would not be prudent to pursue managing the foundation on a year-to-year basis. Indeed, it is time for KRC’s Community Development Department to enter the next phase of maturity in its development and focus on a long term horizon.

KRC initially requested the re-allocation of J\$2 million from FY 95/96 Strategic Investment funds in addition to the use of J\$2 million from Strategic Investment reflows to create an endowment for KRDCF (according to USAID’s memorandum in response to KRC’s Business Plan). As stated, although USAID supports the concept of establishing this foundation, there are procedural problems with direct USAID investment of grant funds in an endowment.

It is an undeniable reality that community development is a necessary non income generating activity. According to the above mentioned response, KRC has indicated that it anticipates capitalizing the foundation with J\$4 million in Strategic Investment reflows. The evaluation supports USAID’s conclusion that

...even at 30 percent income...[from investing the endowment funds]...this would produce only J\$1.2 million in annual income. The Community Development Department’s FY 95/96 budget is J\$4.9 million and even this modest budget excludes provision for many initiatives KRC anticipates implementing. It is obvious that the level of income from the endowment would not even cover recurrent administration and training costs.¹⁸

This evaluation seconds USAID’s recommendation that it may be necessary to endow the foundation with additional funds considering that the sizeable proportion of USAID grant funds allocated to Strategic Investments may not be beneficially employed within the remaining project timeframe. Also, in order to generate the J\$4.9 million annual budget necessary to support the KRDCF’s proposed operating expenses, the endowment must be capitalized with an absolute minimum of J\$16.4 million. As stated, to date KRC has raised only J\$218,000 of the J\$1.4 million necessary for its projected FY 95/96 Community Development Department budget alone. Furthermore, this budget is based on the receipt of J\$2.1 million from USAID, which is still in the approval process.

¹⁷Memorandum dated November 25, 1994 (page 2) containing comments from William Gelman (RHUDO/Jamaica) in reference to the submittal of KRC’s Transitional Operating Plan.

¹⁸Ibid., page 8.

It is unlikely that KRC would be able to immediately raise J\$12.2 million (approximately US\$377,000)—the difference between the amount possibly available from USAID (J\$4.1 million) and the amount KRC has indicated is needed to capitalize the foundation (J\$16.4 million). This analysis shows that, at best, constant yearly fundraising will be necessary to maintain KRC's community development activities.

In fact, currently KRC must raise J\$1.2 million (US\$37,900) in order to support its activities for FY 95/96, and this amount would not be applied to the cost of capitalization of the endowment fund (See Table 9). Therefore re-allocation of a portion of the Strategic Investment funds to increase KRCDF's endowment is necessary to pursue the strategy proposed by USAID, KRC, and its current Community Development Department.

C. Recommended Community Development Program Approaches

1. Structure of the Community Development Foundation

The recommended option for the continued implementation of community development activities in Inner Kingston is to create a KRC Community Development Foundation (KRCDF), with KRC maintaining KRCDF as a subsidiary. There are many benefits to this approach. For example, KRC's excellent track record will enhance KRCDF's fundraising, especially with international donors and U.S.-based sources. KRCDF's proposed structure and relationship with other donor organizations is displayed in Figure 7.

The Director of KRCDF will report to the KRCDF Board, which has overall responsibility for the policy management of and fundraising for KRCDF's activities. The Board should consist of the Director of KRC and representatives of the private sector and the residential community who have interests in the area. It might also be useful to have on the Board representatives of some of the other NGOs who operate in Inner Kingston. This should prevent duplication of effort. The NGO situation in Kingston is sensitive. One comment by an individual knowledgeable of the area was that the younger NGOs (e.g. Rosemarie Foundation of Garnet Roper) would quickly embrace KRC, while the older NGOs such as Laws Street Trade Training Center (Sister Mary Benedict) may feel more threatened by KRC. Alliances with such NGOs at the Board level maybe beneficial to all parties.

The above configuration of the KRCDF Board should allow KRCDF to develop and implement programs according to the needs and concerning all stakeholders in the community.

The Director of KRCDF would function as a social planner for the area, conceptualizing projects for implementation, developing fundraising ideas and programs, and reporting to the Board on the progress of activities.

Reporting to the Director would be an Administrative Manager and a Project Manager. The Administrative Manager would be responsible for the finances of the organization, which are very important, as many of KRCDF's activities would be funded by different donors who require separate and specific accounting procedures. The Project Manager would be

TABLE 9
KRC COMMUNITY DEVELOPMENT DEPARTMENT
ANALYSIS OF PROPOSED BUDGET FOR FY 95/96
(J\$000)

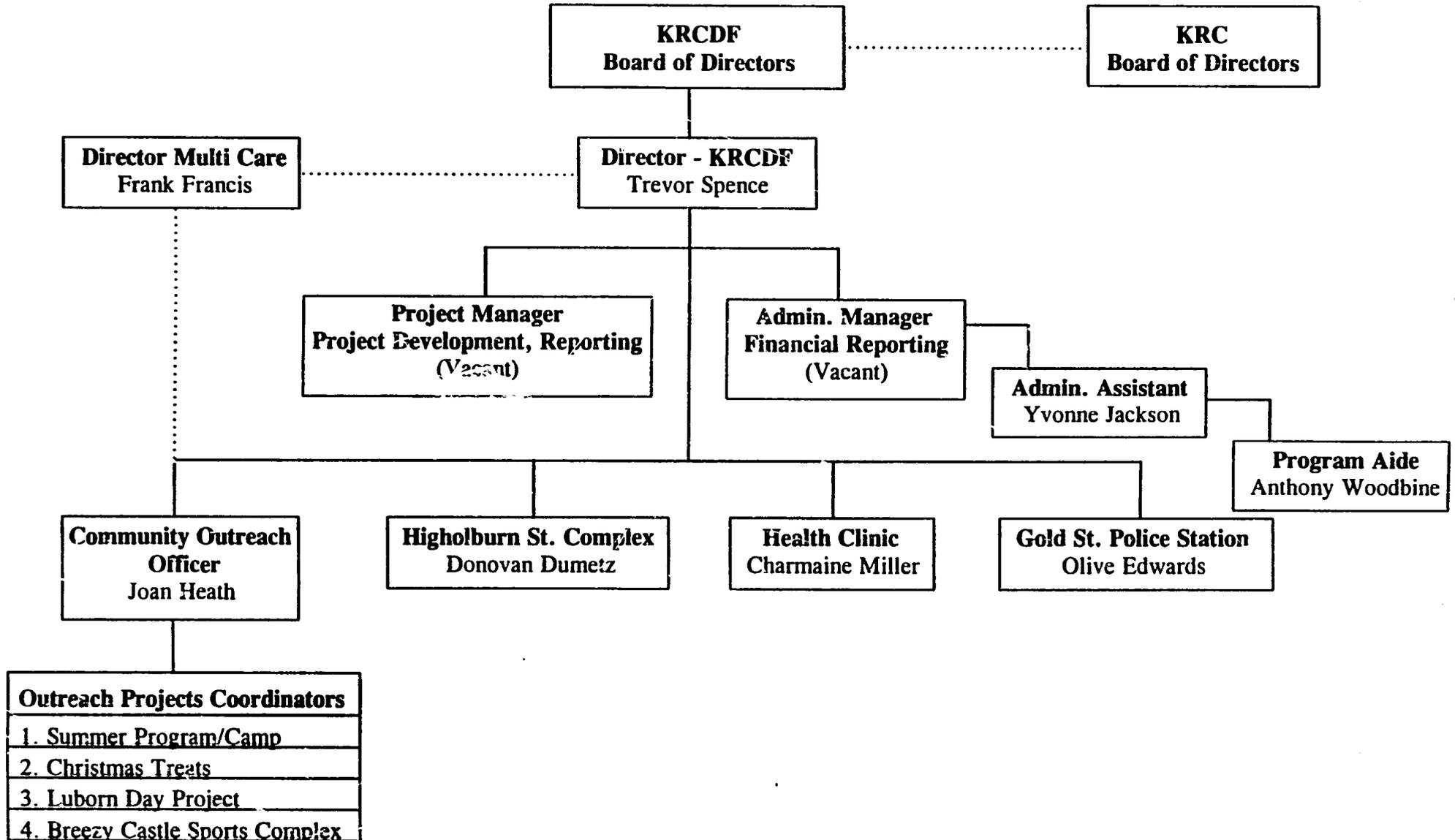
Expense	USAID	Other Donor	Fees	Fundraising		Total	
				Goal	Actual	Goal	Actual
Administration & Training	1,300	-	-	200	-	1,500	1,300
Higholburn Complex	500	350	-	350	218 ^a	1,200	1,068
Hanover St. Health Clinic	100	-	600	300	-	1,000	700
Community Outreach	100	-	-	500	-	600	100
Gold Street Police Station	-	400	-	100 ^b	-	500	400
Environment	-	-	-	-	-	-	-
Evaluation & Research	100	-	-	-	-	100	100
Total	2,100	750	600	1,450	218	4,900	3,668

^aNote that this amount includes: \$J134,000 (Multi-Care); J\$30,000 (Goodyear); J\$4,000 (Communications Consultants); and \$J50,000 (Ministry of External Affairs—for Courtesy Guides).

^bNote that this amount does not include the J\$529,000 raised from CIDA in December 1993 for rehabilitation of the Gold Street Police Station.

FIGURE 7

KRCDF ORGANIZATION CHART



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responsible for fundraising, project development, and reporting as required by the various funding sources. Both these positions are vacant at present. Currently, the Financial Controller for KRC administers the Community Development Department's finances, which is a burden given the multiplicity of her other tasks. The fundraising, project development, and reporting are presently done by the Director of the Community Development Department, in addition to his other duties of planning for the social development of the area. An Administrative Assistant would provide support to the Administrative and Project Managers.

The fourth level of personnel is the managers of the various projects that are being operated at the Higholburn Street Complex, the Health Clinic, and the Gold Street Police Station.

The KRCDF/Multi-Care link will be maintained by the Community Outreach Officer. This position is a particularly sensitive one as the incumbent must respond to the requests of the private sector donors to Multi-Care, as well as KRCDF, in such a way that they are satisfied with the work and publicity from the projects.

2. Scope of KRCDF Activities

KRCDF should continue with the activities started by the Community Development Department with one underlying strategic goal: the formation of a community based organization with trained leaders who can eventually become involved in the management and implementation of projects in the Project Area. This strategy will enable KRCDF to develop and implement models of community development projects. These should be managed and sustained by the community so that the models can be implemented elsewhere in downtown Kingston.

a. Higholburn Street Complex/Jobs Training

The existing YESS Program basic school and day care center, plus the planned Rotary Club supported project for skills training activities at the Higholburn Street complex, promises to make this complex the training center for young people in the area. The task of maintaining such a center is costly and time consuming—the teachers must be paid and the equipment must be maintained. In addition, the graduates of this training facility will need assistance with job placement. The HEART/NTA can provide assistance in all these areas. Consultations with HEART/NTA revealed that the institution already has the mechanisms in place to work with community based organizations in a number of training areas:

- Technical assistance with curriculum development and testing standards.
- Four instructors and instructional materials.
- Certification for graduates of courses.
- Assistance with job placement.
- Linkages to other training academies, e.g. Portmore Academy.

The HEART officials advised that KRC should do the following:

- Complete the renovation of the Higholburn Street complex and, with assistance from Rotary Club, install the equipment.
- Ascertain the academic background of the youth in the area to find out how many have only primary level education. They would have to undergo remedial training to raise their standard to the 9th grade level (which is the minimum level for vocational training from HEART).
- Ascertain the demand for specific skills in the job market of Inner Kingston.
- Prepare a small project document for submission to HEART, which describes the training facility, existing equipment, and areas in which assistance will be needed.

HEART has expressed an interest in visiting KRC's Project Area and will involve their Board in the investigation. KRC needs to be involved with an institution such as HEART/NTA which has the institutional capability to offer certified training on a long term basis.

b. Community Policing

In order to expand the success of the community policing, it is necessary for the Gold Street police to extend its authority to check the clashes between the Renkers and South Side gangs. These gangs reportedly still engage in violent clashes which can only be quelled by the harsher tactics of the Anti Crime Investigation Division (ACID).

c. Health Clinic

Plans for the Health Clinic include attainment of self sufficiency. These plans should be continued, but steps should be taken to ensure that the health facility becomes fully integrated into the system of reporting which links all health centers in the country. Integration into the health system is only partial at present.

d. Housing

KRCDF's plans indicate an intention to work with KRHC to bring housing solutions to the people of the area. It is recommended that the first step toward offering a solution is to work with GOJ to identify residential areas which can be declared as Special Improvements Areas under the Local Improvements (Community Amenities) Act. In this way legal tenure can be offered to the residents, using a financial institution such as a credit union to collect payments for the land. Opportunities for housing must first be offered to the existing population before more expensive alternatives are created to attract an outside market.

e. Fundraising

In looking at KRC's financial, institutional, and technical resources, fundraising needs to be a central focus of KRCDF's attention. According to KRC's workplan in the

Transitional Operating Plan, The Director of the future KRCDF is committed to creating a sustainable financial mechanism to fund the foundation. He intends to achieve this objective by: (1) establishing the Endowment Fund; (2) preparing an Investment Program; (3) confirming KRC/USAID commitment to KRCDF; and (4) undertaking an ongoing fundraising program.

The Director has pledged to raise J\$1,450,000 in an attempt to secure a sustainable funding mechanism, thus allowing staff to concentrate more on program delivery. However, a specific scheme for raising and leveraging these funds, through matching funds or some other strategy, has not been presented. Given the expected USAID budget fluctuations, reliance on other donors is even more important. Donors would be able to replace the same US and Jamaican government funds that would be available for such civic improvement programs. However, there is fierce competition for these increasingly scarce funds from private donors in Jamaica, and a strong and directed strategy for fundraising is necessary for KRC's Community Development Department to enter the next crucial phase of maturity and self sustainability.

3. Opportunity for Future USAID Participation in Community Development Activities

According to USAID, in March 1993 RHUDO/CAR submitted an activity description to amend the existing Project and add US\$1 million for the community development program. The USAID/Jamaica Mission also suggested that the concept be broadened into a larger project. In early 1994, RHUDO/Jamaica submitted a proposal for a New Activity Description (NAD) of the Inner Kingston Development Project, Phase II (Amendment No. 532-0120.02) to USAID/Washington for approval. It proposed a US\$2 million project and extension of the PACD by two years. In response, USAID/Washington authorized the preparation of a Project Paper supplement. In doing so, however, USAID/Washington asked RHUDO/CAR to address a number of issues, primarily those concerning civic participation, generation of employment opportunities and micro enterprise development, and KRC's financial stability.

The activities proposed in KRC's Business Plan are a logical continuation and expansion of the Project and are fully consistent with the NAD. Furthermore, the NAD provides an opportunity for future USAID participation in community development activities, as this evaluation confirms KRC's institutional capacity to address the above mentioned community development related concerns.

In conclusion, the total expenditures for the Project as a whole do not reflect major funding of KRC's community development activities. Although the administration and management of these activities have occupied a significant amount of KRC's staff time, only limited funds have gone to direct financing of these programs. It is true that KRC should not become Kingston's primary social agency. But KRC has responded to the important need to focus on community development. KRC realizes it does not have enough money to solve all the

problems of Inner Kingston, and KRC is actively advocating for increased government and private sector involvement in the revitalization process.

VII. LOOKING TO THE FUTURE

A. Downtown Kingston and Possible Future Economic Roles: The Long View

1. Sustainable Development as a Market Center

Inner Kingston, in the area from King Street west to the West Kingston Markets, is well established as the principal retailing center of Kingston (and Jamaica) for the lower and middle income segments of the population. Economic activity is distributed among many small and medium size entrepreneurs, and the current diversity and scale of enterprises should help ensure the vitality and growth potential of retailing and associated service activity. It is unlikely that any substantial public intervention is needed to obtain a continuing upward curve, assuming improving national economic conditions.

The major potential impediments to further development of this function in its present location are congestion, crime, political violence, and government policies and/or actions to relocate either the transportation terminals or some segments of the enterprises, e.g. the West Kingston Markets. Efforts should be focussed first on keeping the retailing activity in its present overall location, yet improving its performance by eliminating deficiencies in its physical environment.

Gradual improvements in the quality and number of retailing establishments along King Street and proximate blocks of Harbour and Port Royal Streets can be expected as the overall national economy develops and increased office uses develop in physically proximate areas.

2. Expanding Office Functions

Now that the legal profession appears to be firmly anchored in the lower Duke Street area, its likely expansion should over time create market driven demand for additional office space. This should sustain private market rehabilitation activity and eventually create demand for new office construction near the waterfront. Added demand will emerge from the service businesses typically locating near attorneys (e.g. accountants, appraisers, travel agencies, office services, insurance, trust services).

Continuation of the trend to relocate GOJ agencies back into the downtown area will further strengthen the private office and retailing functions described above by generating additional direct demand by the agencies for goods and services. As well, visitors (from both Jamaica and elsewhere) with business at the government agencies will eventually generate further demand. The symbolic presence of GOJ functions downtown will in itself positively impact the location of enterprises mobile enough to relocate readily.

Presently, several large private employers (e.g. ICD, Grace Kennedy, and Bank of Nova Scotia) are committed to remaining downtown and appear likely to expand their roles as their enterprises grow. In addition, it can be expected that as employment and economic activity increases downtown, various financial institutions that abandoned the area will seek to establish some type of market presence (e.g. via branch offices and departmental relocations). This trend is starting with the announced opening of downtown offices by Island Victoria Bank.

3. Capital Infusions into Starter Projects

It is argued that a number of amenities exist to attract cruise ship tourists, such as Blue Mountain Park, Caymanas Golf Course, liquor factories (e.g. Tia Maria and Sangster's World's End), beach and swimming amenities at Lime Key, Devon House, National Gallery of Art, and crafts markets. Proposed amenities include Port Royal as a buccaneer theme park, a Jamaican music museum, and duty-free shopping in downtown Kingston.

Local Jamaicans view these existing and proposed amenities as being more than adequate to attract cruise ship tourism; and according to USAID/Kingston, several cruise lines have expressed interest. Port Royal is being promoted as a possible site for the return of cruise shipping to Kingston.

Consequently, KRC and its Board members have long been involved in promoting tourism. KRC has played a significant role in promoting international trade and tourism among Jamaicans. KRC was represented on the UN International Seabed Authority Conference coordinating committee and trained Courtesy Cadets to provide auxiliary security services for the delegates to the conference.

KRC, in conjunction with JAMPRO, is also initiating the Trade Centre of the Americas project, modeled after the World Trade Center concept, to provide worldwide trade information for Jamaican business. USAID's Office of Private Enterprise provided an initial grant of US\$55,000 to fund a feasibility study of the Trade Centre. KRC and JAMPRO are holding extensive sessions with major industrial and trade groups to promote the concept.

However, the consulting team would argue that Inner Kingston's tourist services, entertainment, specialty/high end retailing activity, and natural/historical assets are not competitive in the international tourist market. Large infusions of capital into "starter" projects serving these markets are unlikely to alter this situation. Inner Kingston lacks appeal to the local population segments with significant disposable income, who are more inclined toward New Kingston, the north coast resorts, Miami, or beyond. Development of a specialty market/entertainment complex downtown would be a very risky market proposition.

Large individual office projects may not be economically sustainable downtown. Moreover, they are also unlikely to benefit as widespread an area, or as many enterprises or people, as either public infrastructure projects or programs aimed at smaller buildings and businesses. Aside from increased risks, experience in the United States suggests that failure of a major

project (e.g. by slow lease up, construction delays, or even bankruptcy) sends a spectacularly negative signal, whereas its success will have only a slow positive impact.

B. Constraints on Future Development Downtown

Aside from the macro-economic and fiscal environment in Jamaica, principal constraints on future development downtown are likely to arise from the following unresolved issues:

- The need to substantially upgrade infrastructure and relieve congestion.
- The need to address real and perceived issues of public safety and crime to people and property, as much by effective policing methods as by alleviating causal social and economic conditions.
- The availability of investment funds, constrained by negative perceptions of Inner Kingston as a place to invest and by present adverse economic conditions limiting investors interest in real estate and economic expansion.
- The image of Inner Kingston as messy, unpleasant, unsafe, and disorganized.
- The inability of UDC to make more effective use of the properties it owns.
- The realities of the high costs of new construction downtown, yet lower rents than in New Kingston.
- The lack of coordination of government services and among the various players, as well as limited institutional capacity and available technical assistance to plan and implement complex urban economic development programs.

C. Perspectives on KRC's Financial Future

1. Self Sustainability versus Self Sufficiency

For KRC to be even reasonably effective and credible in continuing its critical role of shepherding the Inner Kingston revitalization effort, it is estimated that KRC needs a budget of US\$550,000 per year. Approximately one half of this amount is needed for staffing, administration, and overhead expenses involved in performing KRC's basic promotional; coordination; advisory; planning; and current limited development, property, and grant management roles. The other half is needed to fund the minimum level of program and project expenditures required to sustain KRC's revitalization momentum. While lower levels of effort and expenditure are possible, KRC's visibility and impact would be compromised to levels judged to be both ineffective and damaging to the community trust and momentum it has built up over the past decade.

The present capital base of KRC is insufficient to generate a level of income anywhere close to this necessary level of funding. The current direct earning capacity of KRC's assets is estimated at approximately US\$250,000/year, resulting in a shortfall of around US\$300,000/year. Moreover, if all annual cash income is spent as earned, the ongoing earning power of KRC's capital base decreases rapidly in real terms over time in the anticipated high inflation environment. For example, KRC's liquid assets at the end of its 1994/1995 fiscal year (June

30, 1995) could approach US\$800,000.¹⁹ While this level of funds would generate approximately US\$240,000/year in interest income at current 30 percent/year interest rates and presently cover almost 50 percent of KRC's budget, Jamaica's high rate of inflation will rapidly decrease the buying power of this interest income in future years and it will cover a progressively smaller share of the total KRC budget. The situation would become even worse if interest rates were to fall.

The three industrial complexes presently owned by KRC can produce a net income stream of US\$50,000 to US\$100,000/year, assuming proper management. This income stream should be able to almost keep up with inflation as long as the buildings are retained. Upon sale of the buildings, KRC will benefit from a one time infusion of cash, and an initial increase in its real interest income. However, KRC will then lose its only long term inflation protection and thereafter see a steadily declining proportion of its budget funded by interest income. Without turning to outside donors, KRC's only other sources of funds will be to eat into its capital base by actively withdrawing cash in excess of interest income, or to generate fee based income.

Another potential source of income is fees earned from development activities. While the source of income could generate substantial funds, KRC's experience is that fee income in most years will cover a relatively small share of KRC's expenditures.

With receipt of remaining USAID funds, KRC should be able to function for four years at "core" level operating, project, and program levels before it must sell one or more of its industrial complexes. This scenario assumes the receipt of US\$750,000 in USAID funds over the July 1, 1994 to July 1, 1997 period (based on the expectation that USAID will stretch out its funding to KRC over the next three years); the successful liquidation of all KRC real estate holdings (other than the three industrial complexes) by mid 1995; and a maximum of US\$250,000/year in otherwise unfunded project/program costs.

The sale of the industrial complexes in late 1998 could extend KRC's life at the same program level for another four years to mid 2001, without the need for additional USAID funds beyond Phase II.

In short, without any additional public or private sector support, KRC can support itself for at least another seven years. In fact, KRC is likely to obtain additional funds from USAID and other donors, and KRC is actively soliciting support from the private sector.

This "base case" scenario is illustrated in **Table 10**, which shows KRC's possible cash flow to 2002 under a delayed industrial properties sale. Essentially, the Phase I and II USAID funds and KRC earnings and reflows will have given KRC the potential of a total life of a minimum fifteen years at a sustained level of effective activity (from the beginning of its

¹⁹Assumes sale of all Harbour Street sites, recovery of remaining Public Building West monies, receipt of US\$250,000 from USAID over the fiscal year, and beginning of year cash in the bank of US\$100,000.

TABLE 10

Kingston Restoration Company
Illustrative Projection of Potential Revenues and Expenditures
at Minimum "Core" Operations Levels
Fiscal Years: 1994-2002

(July 1 - June 30)

*Note: This projection is designed solely to illustrate how KRC could survive for at least seven more years at present core staffing levels and expend \$US 250,000/year on individual projects and programs without funding beyond the remainder of the current Phase II USAID grant, and present minimum third party donations of approximately \$US 40,000/year. Obviously, any additional funding sources over and above those illustrated here would allow KRC to support additional levels of program activity or alternatively fund endowment to extend its life beyond 2002.

In US \$

	Assume Inflation at				Interest at			
	1994/ 1995	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002
(Exchange rate: Jamaica \$:US\$)	36.8	47.8	62.1	80.8	105.0	136.5	177.5	230.7
Income								
Net Rental Income	\$94,750	\$101,786	\$98,243	\$91,886	\$0	\$0	\$0	\$0
Development Fees	\$104,783	\$20,921	\$20,921	\$20,921	\$20,921	\$20,921	\$20,921	\$20,921
Interest Earned	\$95,543	\$150,055	\$114,524	\$79,513	\$339,779	\$226,223	\$113,276	\$797
Subtotal - Operational Income (A)	\$295,076	\$272,761	\$233,688	\$192,319	\$360,700	\$247,144	\$134,196	\$21,717
Expenses								
Core Operations	\$251,359	\$251,569	\$251,569	\$251,569	\$251,569	\$251,569	\$251,569	\$251,569
Debt Interest	\$32,609	\$25,105	\$19,311	\$14,855	\$11,427	\$8,790	\$6,761	\$5,201
Subtotal - Operational Expenses (B)	\$283,967	\$276,674	\$270,880	\$266,424	\$262,996	\$260,359	\$258,330	\$256,770
NET CASH FLOW : OPERATIONS (A) - (B) = (C)	\$11,109	(\$3,912)	(\$37,193)	(\$74,104)	\$97,704	(\$13,215)	(\$124,134)	(\$235,053)
Other Cash Flow in Period								
Projects/Programs Costs	(\$290,761)	(\$290,795)	(\$290,795)	(\$290,795)	(\$290,795)	(\$290,795)	(\$290,795)	(\$290,795)
US AID Grants	\$250,000	\$250,000	\$250,000					
Other Private/Public Contributions	\$40,761	\$40,795	\$40,795	\$40,795	\$40,795	\$40,795	\$40,795	\$40,795
Building Sales	\$543,478			\$1,531,435				
Borrowings/Advances/Recoveries	\$67,935							
NET CASH FLOW - OTHER ACTIVITIES (D)	\$611,413	(\$0)	(\$0)	\$1,281,438	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
Beginning of Period Balance	\$27,174	\$500,184	\$381,748	\$265,042	\$1,132,597	\$754,078	\$377,587	\$2,656
Net Cash Flow for Period (C) + (D)	\$622,522	(\$3,912)	(\$37,193)	\$1,207,334	(\$152,296)	(\$263,215)	(\$374,134)	(\$485,053)
End of Period Balance	\$649,696	\$496,272	\$344,555	\$1,472,376	\$980,301	\$490,863	\$3,453	(\$482,397)

Notes:

1. This model assumes 30%/yr. inflation in Jamaica dollars, 30%/yr. interest rates and 30%/yr. devaluation against US \$
2. USAID funds are assumed distributed at rate of \$250,000/yr (US) for three years from July 1, 1994 thru June 30, 1997
Other donors are assumed to contribute annual amounts at a rate of 150% of the donor commitments KRC presently has lined up
3. Matalon sites, 104:105 - 110 Harbour sold in 1994-1995; PBW advances recovered in 1994-1995; and industrial sites sold in June, 1998.
4. 1994/1995 Income / Expenses from KRC Transitional Plan with some modifications: development fees assumed lower from 1995 on;
Net Rental Income per separately attached projection of Rental Operations, which differs from KRC's last forecast
5. Interest earned is calculated by taking previous year's End of Period Balance times 30%

enhanced operations in 1986-87). This is in addition to having completed all the important Project outputs and impacts earlier described.

If the KRC Board and management effectively diversify KRC's funding base over the next two years, they could either further extend the organization's life beyond 2001 or expand the range of activities and uses of the additional funds over the next five years (possibly risking a shorter life if no other funds are brought in). The organization has in place the technical capacity and credibility to become institutionally self sustaining by further developing its relationships with local funding sources and other international donors and lenders.

2. Potential Liquidity Problems

Premature sale (over the next one to two years) of the KRC industrial properties is neither recommended nor likely to be feasible given their present tenancy status and larger national economic conditions. KRC is unlikely to find a buyer at present except at unacceptably low prices. The financial and real estate experts interviewed were pessimistic about the opportunities to sell any of KRC's holdings at this time and did not believe that use of innovative approaches such as selling them to a public real estate investment trust would be advisable.

KRC presently has a very limited cash buffer (approximately US\$100,000) which will be substantially enhanced within the next several months if all projected actions now in advanced stages materialize.²⁰ Significant delays in closing the 108-110 Harbour Street sale or in receipt of USAID funds (over the next several years) could put KRC in a short term cash flow bind, with a resulting devastating impact on planning and performance of KRC's baseline activities. As the cash flow in **Table 11** shows, while it is not absolutely critical for KRC to receive all of its remaining potential USAID funding in the next year or two, it is critical for it to receive all the USAID funds by mid 1997.

Another cash flow crisis could occur in 1998 if at least some of the industrial properties are not sold by then.

3. Use of USAID Funds in Phase II: Remaining Two Years

The remaining funding that USAID is obligated to provide (approximately US\$750,000 as of July 1994) should be used to help KRC transition over the next several years to self sustaining status. Broadly based activities emphasizing relationship building with governmental and private sector entities (including promotion, lobbying, planning, and joint venture/matching funding efforts) will further this goal and should receive priority support and funding. Funding of further speculative real estate development projects for its own account or marketing studies is not recommended, although KRC should make efforts to promote and facilitate investments by the private sector.

²⁰These actions include continued receipt of USAID monies on a periodic basis; completion of 104, 108-110 Harbour Street deals; close out of ICD properties; and completion of Public Buildings West recoveries.

TABLE 11

Kingston Restoration Company
Illustrative Projection of Potential Revenues and Expenditures
at Minimum "Core" Operations Levels
Fiscal Years: 1994-2002

(July 1 - June 30)

*Note: This projection is designed solely to illustrate how KRC could survive for at least seven more years at present core staffing levels and expend \$US 250,000/year on individual projects and programs without funding beyond the remainder of the current Phase II USAID grant, and present minimum third party donations of approximately \$US 40,000/year. Obviously, any additional funding sources over and above those illustrated here would allow KRC to support additional levels of program activity or alternatively fund endowment to extend its life beyond 2002.

In US \$	Vacancy=	Rental Operations							
		20% Assume Inflation at			30% Rent Increases at				
		1994/ 1995	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002
(Exchange rate: Jamaica \$:US\$)		36.8	47.8	62.1	80.8	105.0	136.5	177.5	230.7
Income:									
NNN Potential		\$137,908	\$154,812	\$151,239	\$147,749	\$144,339	\$141,009	\$137,754	\$134,576
Less Vacancy		(\$27,582)	(\$15,481)	(\$15,124)	(\$14,775)	(\$14,434)	(\$14,101)	(\$13,775)	(\$13,458)
Net rental income		\$110,326	\$139,331	\$139,331	\$132,974	\$129,905	\$126,908	\$123,979	\$121,118
Operating Expense Recovery		\$219,565	\$247,218	\$247,218	\$247,218	\$247,218	\$247,218	\$247,218	\$247,218
Property Management Fees		\$39,293	\$19,777	\$19,777	\$19,777	\$19,777	\$19,777	\$19,777	\$19,777
Collection Past Due Rents		\$64,918	\$13,207	\$9,664	\$9,664	\$9,664	\$9,664	\$9,664	\$9,664
Total Income (A)		\$434,103	\$419,532	\$415,989	\$409,633	\$406,564	\$403,566	\$400,638	\$397,777
Expenses:									
Administrative		\$21,060	\$23,733	\$23,733	\$23,733	\$23,733	\$23,733	\$23,733	\$23,733
Marketing and Advertising		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Administrative Expenses		\$17,446	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Expenses on Properties		\$274,457	\$274,686	\$274,686	\$274,686	\$274,686	\$274,686	\$274,686	\$274,686
Provision for Rental Arrears		\$26,391	\$19,327	\$19,327	\$19,327	\$19,327	\$19,327	\$19,327	\$19,327
Total Expenses (B)		\$339,353	\$317,746	\$317,746	\$317,746	\$317,746	\$317,746	\$317,746	\$317,746
OPERATING INCOME/ (DEFICIT) (A)-(B)		\$94,750	\$101,786	\$98,243	\$91,886	\$88,818	\$85,820	\$82,891	\$80,030

Property Values									
Knitting Mills		\$347,417	\$373,214	\$360,223	\$336,916	\$325,665	\$314,673	\$303,934	\$293,444
D & B Phase I		\$379,000	\$407,143	\$392,971	\$367,545	\$355,271	\$343,279	\$331,565	\$320,121
Machado		\$852,750	\$916,072	\$884,155	\$826,977	\$799,359	\$772,379	\$746,021	\$720,271
Total		\$1,579,167	\$1,696,429	\$1,637,379	\$1,531,438	\$1,480,294	\$1,430,331	\$1,381,520	\$1,333,836

Notes:

- The 1994/1995 numbers are from KRC's Transitional Plan with the exception of "Collection of Past Due Rents" and "Provisions for Rental Arrears" which have been modified to reflect more recent information.
- The 1995/1996 and beyond figures assume an aggressive property management effort that stays on top of rental problems and also increases rents on expiring leases way below market. Rents are still assumed to remain significantly below market after being increased in 1995/1996 and are assumed to slowly fall behind inflation.
- Property Values are calculated based on a 6% capitalization rate of net income in year of sale. While some have argued that cash on cash returns Downtown should be in the 10-11% range, we have this lower capitalization rate to reflect the significant room for improvement in rental rates as well as operating cost efficiencies that a more aggressive buyer could achieve.

KRC should use this period to achieve the following minimum goals:

- Professionally manage the industrial complexes and maintain their physical condition to maximize their value and ready them for sale in two to three years.
- Put in place a community development structure that can support a sustainable level of defined programs over the next ten years. Aside from institutional and staffing issues, this involves obtaining long term commitments from other funding sources to support the program.
- Assist in building and broadening governmental and private sector institutional capacity to sustain downtown development, specifically including the DKMD and GOJ involvements and the Task Force for Downtown Improvement recently established by the Office of the Prime Minister.
- Complete the Harbour Street streetscape improvements and demolition program, possibly including an extension to Orange Street, and encouragement of further real estate development along these corridors.
- Ensure that decisions taken as a result of the KRC management review and preparation of the Business Plan are implemented (see **Attachment E**).

4. Funding Alternatives for KRC

In the next five to seven years, KRC should complete its transformation into a self sustaining institution no longer dependent on USAID monies. Critical to this period will be:

- Recovery of funds from the industrial properties by their successful sale or securitization.
- Development of ongoing financial support from a variety of government, quasi-governmental, foreign donor, and private sector players in KRC's base mix of programs and activities, i.e. self sustainability of the program budget from a wide variety of sources excluding USAID.
- Limiting activities of KRC primarily to Inner Kingston and to those supporting a specific set of goals and capacities.

Within the next two to three years KRC should, given its past track record and experience, be able to identify and put in place ongoing permanent funding commitments from other donors for each of the basic program elements it now carries out. In the event KRC cannot generate the needed levels of financial support in the given time period, it will need to scale back its activity and staffing levels and/or allow itself to go out of business.

If these various sources cannot be put in place within two or three years, then the unfunded elements should be phased out in short order thereafter. A failure to generate needed support beyond USAID funding would have to be viewed as a lack of local support for the unfunded project/program elements and these elements would need to be rethought. This would be a reasonable idea, for if KRC cannot, after over ten years of activity, convince the various

constituents of the host country that a specific program element is worthy of continued local support, then that element has perhaps outlived its productive life.

USAID funding is scheduled to terminate in June 1996 and financial scenarios suggest that with present resources (including receipt of the USAID funds promised to KRC) KRC can continue to function at an effective level for three to seven years before decapitalizing itself. Over that period of time, given the current climate downtown and the macro-economic environment in Jamaica it is unlikely that the revitalization process and downtown real estate market will have developed to the point where no further public-purpose investments will be required, and certainly the community development needs of the residential portion of the Project Area will be wanting. This timeframe is not surprising given the experience of large scale redevelopment efforts in the United States and Europe. Many projects have taken 20-30 years to complete. Consequently, a continuing if evolving role for KRC can be anticipated for many years to come. In fact, an explicit and high priority program objective for KRC should be fundraising to underwrite its operations and programs.

KRC has been effective in working with bilateral and multilateral foreign donor organizations and various local charities and foundations: for example, KRC is working on a regular basis with USAID; ODA; the World Bank; and such local organizations as Rotary Club, Multi-Care, and the United Way.

The two most promising opportunities for substantial future funding appear to be the World Bank funded Urban Social Investment Fund (USIF) and continued funding from USAID. KRC's success over the past eight years and the overall Inner Kingston Development Project are viewed very positively by World Bank staff. The objectives of USIF are likely to be consistent with those of the Project. Potentially, substantial funding might be available from USIF for Inner Kingston, and KRC is a likely implementing agency. KRC should take full advantage of any opportunity to shape the design of USIF in the coming months and apply for one of the initial project grants at the earliest possible date.

Additional USAID assistance appears more problematic, given current funding trends. The Project's and KRC's record of accomplishments warrants further assistance in spite of the Project's limitations and KRC's inability to achieve the rates of return originally projected. Anticipating improving market conditions and increased private investment from the private sector, KRC's financial needs will be for funds to support community development programs and other non income producing activities. Despite budget constraints such activities may fit within USAID's future objectives for the country.

KRC should continue to explore other fundraising avenues to support itself. Off-shore foundations and other government donors may be attracted by the programmatic objectives of the Project and the dire needs of Inner Kingston residents. There remain opportunities for KRC to earn fees and profits from carefully selected projects. There may be opportunities to receive GOJ funding for carrying out specific assignments. In seeking other funding KRC needs avoid undertaking projects that divert its attention from the revitalization of Inner Kingston or do not relate to its original goals or capabilities.

D. Physical Development Considerations

KRC should limit its future real estate development activities to packaging and promoting projects for investors and executing feasible, small, fast turnaround projects and programs with a focus on sustaining and intensifying the successful development trends now clearly evident in the downtown area. This view is derived from KRC's extremely limited resources and the need to ensure that they are being put to their highest and best use and achieve maximum leverage. Moreover, given the improved market conditions, KRC no longer needs to demonstrate that successful real estate projects can be developed downtown.

The single most important criterion for assessing potential real estate projects should be their limited need for KRC funds. The evaluation recommends that no single real estate project be started or continued that would individually involve more than US\$100,000 of KRC funds over the next three years. Furthermore the evaluation recommends that KRC never commit to investing more than US\$50,000 in any one such project unless there are firm commitments of funds from sources other than KRC or USAID on at least a matching basis. Future projects should also be measured against the following criteria:

- Ease of execution and shortness of time to complete, with no unusual site conditions or land assembly problems to cause long delays or excessive costs.
- Support of multiple development objectives.
- Focussed reinforcement of existing positive trends, including geographic concentration (i.e., do not spread out into new areas).
- High degree of leverage in attracting other funding and participants and in developing other institutional and skill capacities.
- Diversification of KRC's funding support among multiple projects rather than one or two large ones.
- High priority or critical to downtown development.
- No other organization appropriate for contemplated support role is available.

Examples of representative programs/projects might include the following:

1. Streetscape programs for Harbour and Orange Streets
2. Leveraged grants/loans for property owners on designated streets or for specified types of projects (e.g. enterprise development, housing)
3. Job skill development programs related to construction of actual improvements (e.g. streetscapes, parks)
4. Technical/materials assistance for self help housing projects
5. Promotion and planning of specific projects/plans with other agencies, institutions, and property owners
6. Facilitation and promotion of private projects (e.g. brokerage, temporary option holder, feasibility studies and market analysis, fee development for property owners)
7. Fee development of government projects

If an individual program element proved highly successful and provided substantial leverage, the limitation on KRC/USAID funds might be appropriately reconsidered. For example, a new Restoration Grants or streetscape program that generated millions of dollars of matching private investments could be continued beyond the \$100,000 level.

Generally the above criteria would result in limiting KRC's role to covering a limited amount of up front costs and providing technical and development management assistance on projects. KRC could (if necessary) play a role in helping property owners or would-be developers with some feasibility studies and market analysis, packaging a project, identifying financing sources, finding tenants, and providing development and construction management services.

These criteria furthermore would mean that KRC would withdraw from any further substantial investments in large development projects unless it specifically has partners who are willing to fund, up front, KRC's staff, technical assistance, and direct development costs associated with these particular projects, and who, moreover, have access to the capital needed to implement the development. When these sponsors are in place, KRC should use its funding commitments to put in place the best available development management team possible. This type of management and expertise is expensive, and KRC should expect its project participants to fund the salary levels needed to attract and retain good development talent. An example of this role would be undertaking developments similar to Public Buildings West.

In terms of immediate specifics, the evaluation's recommendation would imply that KRC should not invest in the Wray and Nephew project, the Rum Stores, and the Hanna Building unless specific outside sponsors with adequate funding come forward. For example, the scarcity of alternative buyers for the Hanna building suggests that KRC does not need to option it now: instead of putting up money, KRC might focus on facilitating dialogue between the current owners and potential users and financing sources.

For the reasons specifically discussed in Section IV.A. of this report, the evaluation recommends against KRC attempting to expand its property management function beyond that needed for its current industrial holdings. The evaluation does not believe that KRC could make property management profitable or that KRC should devote its already taxed management resources to this activity. Unless KRC can demonstrate over the next year that property management is profitable and worthwhile, this function should be phased out.

Any available public resources could best be applied to providing badly needed infrastructure improvements that can constitute a better framework for small scale private economic activity and investment. Of critical importance would be projects aimed at resolving the congestion, safety, and environmental issues presented by the failure to complete the West Kingston

Markets project and the Urban Bus Terminal²¹; better road access into and through Inner Kingston (e.g. the east-west boulevard alongside the Bay connecting the Kingston airport to Spanish Town); road surface and drainage improvements; sewer and water improvements; public safety measures; and added streetscape programs. Action on these fronts can provide the framework and confidence with which a myriad of private entrepreneurial decisions and actions can go forward.

VIII. RECOMMENDATIONS

The evaluation makes the following recommendations to USAID, KRC, and UDC:

USAID

- The unspent USAID funding budgeted for KRC is an essential part of KRC's financial resources for the next few years. **USAID should continue to provide financial and technical support to KRC through the end of the Project. USAID should fully fund KRC's budget for the Project.** Its ability to continue to operate in the short term, until it can liquidate its property holdings, is contingent upon receipt of operating and program funds from USAID. Large cutbacks or delays in receiving USAID funds would have a substantial negative impact on KRC, and if the cutbacks were severe, KRC could face a critical cash flow problem. KRC's effectiveness and reputation would be adversely affected without some continuing resources from USAID to fund KRC real estate deal-making activities and public-purpose programs.
- **USAID should consider KRC's request to reallocate Strategic Investments funds to other activities.** Highest funding priority should be given to continued funding of KRC's core operations (e.g., promotion, marketing, lobbying, and catalytic investment activities) and capitalization of the KRC Community Development Foundation.
- **If additional USAID funds are made available, these funds should be directed, in descending order of priority, to: (1) high impact community development activities (e.g., expansion of the YESS Program, micro enterprise/training activities, and the Network of Urban Community Based Organizations [NUCO]); (2) support and expansion of the Downtown Kingston Management District (DKMD); and (3) implementation of the Vision 2020 Plan.** These specific activities are further explained elsewhere in these Recommendations.
- **The Project is scheduled to end in less than two years. USAID and KRC ought to be planning how to prepare KRC for the completion of the Project.** Specifically, between now and the PACD, KRC should make every effort to strengthen its financial position. USAID should require KRC to regularly update its Business Plan; carefully monitor its cash management practices; and take steps to ensure KRC meets its revenue, fundraising, expenditure, and project development targets. USAID should work closely

²¹This comment is in no way meant to be an endorsement of completing the West Kingston Markets Project and Urban Bus Terminal as last designed. It is, instead, to point out the need to actively work on a viable solution to the problems caused by the partially completed existing projects.

with KRC to ensure that properties under development are completed and sold and help KRC develop a strategy to sell its industrial properties. The proceeds from these sales should be placed in a reserve account, the proceeds of which will be dedicated to funding KRC's future operating expenses and programs. Flexible guidelines should be established by USAID and KRC for the use of the reserve funds, but cash management policies should be based on preserving KRC's asset base.

- **USAID should begin to discuss now with KRC what conditions and agreements it will want to have with KRC after the PACD.** Because KRC will have a substantial capital base (in cash or real estate assets) when the Project ends, USAID has legitimate concern about how those assets will be used. KRC needs to know with as much clarity as possible when USAID funding will be provided and what involvement or requirements (including reporting requirements), if any, USAID anticipates having with KRC after the PACD. USAID should begin negotiating a post PACD understanding with KRC about what USAID's role will be in programming and controlling KRC assets. At the same time, USAID should vest control of the assets in the KRC Board. The following guidelines for the agreement are recommended: (1) the agreement should be in effect for a defined period (e.g., five years) after the PACD, (2) the KRC Board should agree it will not revise KRC's by-laws without USAID concurrence in any changes, (3) KRC should agree to use all KRC resources to further the objectives of the Inner Kingston Project, (4) KRC should submit an annual budget proposal to USAID for comment and USAID and the KRC Board should meet annually to discuss the budget, and (5) KRC should submit an annual report to USAID documenting how KRC funds were spent.
- KRC has demonstrated that it is an effective implementing agency and can manage resources and make good use of USAID funds. **USAID should continue its close working relationship with KRC during the Project period and after the PACD. If additional funds become available, USAID should consider providing additional funding to KRC to support Project objectives or if KRC is the logical and most expert implementing agency.** For example, KRC and USAID have discussed the possibility of a follow-on project to expand KRC's role in organizing and implementing activities in other low income areas near Inner Kingston. Such a project would take advantage of KRC's institutional expertise and experience, and if KRC establishes the proposed Community Development Foundation, should not undercut KRC's Inner Kingston focus or limited management resources. While it is easy to identify KRC's shortcomings, one of the most important—yet difficult to identify—accomplishments of the Project has been institutional development of KRC as a major resource for addressing Kingston's problems. There is no question that KRC has delivered intangible socio-political value for the strategic investments provided by USAID. There is also a community-wide consensus—from private business owners to social service providers to citizens—that the comprehensive social and economic scope of KRC's activities must continue in some capacity.
- **USAID should continue to support KRC's multi-dimensional role in Inner Kingston.** A unique feature of KRC's revitalization strategy is its multi-faceted nature, which attempts to deal with the multiple factors inhibiting investment and constraining economic growth. In implementing the strategy, KRC both undertakes its own projects and

encourages other public and private entities to develop parallel and supportive projects to revitalize downtown Kingston. **The evaluation recommends that KRC continue to act as a catalyst/packager/broker for real estate development; an inter-agency coordinator and provider of services to the low income residential neighborhood; and a promoter and marketer for downtown Kingston to the public, the investment community, government, and international donors.** Not only have KRC's individual activities been successful in themselves, but their cumulative positive effects have significantly helped energize the redevelopment process. At the same time, the evaluation suggests that in the future KRC should rely primarily on other investors to finance redevelopment projects and that KRC's role should be a catalytic one. The evaluation also recommends that KRC get out of the property management business unless its profitability as an income generating activity can be demonstrated. With these exceptions, the evaluation recommends that KRC continue to perform the multiple roles that have made it so effective in the past.

- **USAID should consider increasing funding for KRC community development activities.** Only a small portion of total expenditures for the Project have been used for community development activities. It is true that KRC should not become Kingston's primary social agency, but KRC has responded to the important need to focus on community development. Furthermore, KRC is actively advocating increased government and private sector involvement in the revitalization process with positive interest from these potential funding sources. USAID should not terminate funding for community development activities in Inner Kingston. As stated in several sections of this report, although community development activities are generally not income generating, the long term economic development of Inner Kingston cannot take place without parallel improvements in the living conditions of its residents. Crime, drug sales and addiction, and violence are characteristics of economically depressed areas, and these conditions are a deterrent to prospective investors. KRC recognized these conditions and used them as a starting point for community development work in its Project Area. This evaluation has indicated the intangible progress made in improving relations with citizens as well as the perception of Inner Kingston. This evaluation has also demonstrated the direct impact that these improvements have made on Kingston's potential attractiveness to investors.
- **USAID should consider providing additional support for the Downtown Kingston Management District (DKMD).** The DKMD appears to have had a successful start, as it is currently supported by an incorporated Board of Directors consisting of active downtown Kingston business owners. In many U.S. cities, downtown management districts have proved to be excellent models for providing important supplemental services, such as sanitation and safety management and marketing of downtown attractions. If USAID has funds available, this support could be an important factor in furthering downtown revitalization. The Urban Institute's recent business survey identified public safety as a continuing concern for the business community. Specifically, USAID should consider providing additional financial support for the DKMD's public safety program.
- **USAID should consider funding follow-on activities for the Vision 2020 Downtown Plan.** Although the preparation of the Plan involved unprecedented community participa-

tion, the relevance of some of its recommendations to Kingston could be questioned. Given the level of funds already invested in preparation of the Plan, it would be productive for USAID to fund some additional follow-on activities to narrow the scope of the Plan and to formulate a specific course of action for its implementation. This information should be made available to investors, government offices, and the public, as it could help to stimulate interest in the downtown area.

- **Given the current level of KRC's resources, USAID should help KRC develop a plan to remain effective over the medium term rather than focusing attention on KRC's long term financial sustainability.** KRC's current level of resources are inadequate to ensure the long term sustainability of the organization. The evaluation estimates that US\$500,000 a year is the minimum KRC needs to pay for core operations and fund essential services and activities. Without that level of expenditure, KRC cannot be an effective catalyst for change. Given that assumption and KRC's sale of its real estate assets, it appears that KRC will have sufficient funds to continue to carry out an effective program for a minimum of seven years. Over that period KRC should be able to play a key role in creating a self sustaining environment for private investment and economic growth. This does not mean that the redevelopment process will have been completed or that there will no role for KRC seven years from now. KRC's long term sustainability will be determined in large part by its ability to generate sufficient operating resources. If KRC were able to raise additional funds, there would be many opportunities to spend them effectively on addressing physical and social problems of the low income residential community downtown. Even if KRC decapitalizes itself in seven years, its accomplishments will have been more than worth USAID's investment in the Inner Kingston Development Project.
- **While USAID is encouraged to continue support to KRC, USAID should not encourage or fund KRC to take on new projects that will undercut its efforts in Inner Kingston.** KRC's management and technical resources are more than challenged by the demands of Inner Kingston.
- **USAID should help KRC identify other sources of financial and technical support for the future and encourage other donors and the GOJ to support KRC.** With the completion of the Inner Kingston Development Project, KRC will have to be creative in raising funds to support its core operations and programs. USAID can play an important supportive role in helping KRC generate new sources of revenue such as funds from the World Bank supported Urban Social Investment Fund (USIF). At the same time, USAID should avoid being overly prescriptive about what KRC should or should not do. With less than two years before the PACD, USAID should be allowing KRC more latitude and flexibility in making funding and program decisions. This will not only help KRC to respond more quickly to opportunities but also to take more responsibility for its actions, which it is time for KRC to do.
- **USAID directed technical assistance and management support from USAID have been important factors in the Project's positive results. These activities should be continued to the extent these resources are available.** This support should be targeted to help KRC revise its Business Plan, address its management and financial problems, improve staff expertise, and develop a strategy to sell its properties on a timely basis.

- While some resentment and frustration remain due to USAID's decisions not to fund completion of the West Kingston Markets project or extend the Harbour Street Sewer, **USAID should continue to make efforts to improve its working relationships with UDC. USAID should press UDC to put the new Harbour Street Sewer into operation.** Because of UDC's legal authorities, expertise, and land and property holdings, its active involvement in Inner Kingston is essential.
- As was pointed out in the 1989 Project evaluation, **urban development projects in the United States analogous to the Inner Kingston Development Project require a minimum of ten years and more typically 20-25 years to complete. USAID should keep this experience in mind in evaluating the success and impacts of the Project.**

KRC

- The goal of financial self sufficiency without some support from donor organizations (including USAID) or the Jamaican private and public sectors is not realistic for KRC. An economic, physical, and social development agency like KRC should not be expected to generate internally all the funds it needs. KRC's public-purpose nature and development goals prevent KRC from maximizing investment income and profit. **KRC's primary objective today should be to undertake projects or activities not based on profit or income considerations but which help to create a positive investment climate and serve the overall interests of Inner Kingston and the Kingston community.** At this point in the cycle of revitalization most of KRC's projects and activities should be of a non income generating or catalytic character.
- KRC has developed a Business Plan to analyze its financial situation and chart its financial strategy. **KRC should review and periodically update its Business Plan and use it as a tool to manage its resources.** If expected revenues are not forthcoming KRC needs to act quickly to identify other sources of income or reduce costs. It should allocate adequate staff resources to generating additional revenue sources for its operating costs and for programs in Inner Kingston.
- KRC has not adequately defined its development strategy, taking into account its current and likely financial resources. KRC needs to focus its energies. **KRC should continue to clarify its role in an overall strategy for improving Inner Kingston. KRC should devote all of its energies and financial resources to Inner Kingston, unless there is a compelling and overriding reason to take on other responsibilities.** KRC needs to continue to focus its efforts and maintain its reputation of delivering on its promises. The organization has tended to take on more responsibilities than it can handle. In the future it needs to be more selective and to focus staff attention on short to medium term high payoff endeavors. Also, KRC needs to clarify what are the most cost effective uses for the limited amounts of funding it has available. Given its limited resources, KRC needs to more effectively monitor its financial resources and operating costs.
- Many of KRC's most successful activities have been public-purpose and non income producing. **KRC ought to consider allocating some funds if available (from the Strategic Investment budget) to the Restoration Grants and Street Upgrading programs, both of which have effectively leveraged private resources and have widespread**

visual impacts. The cost of modest programs would be small but their value in furthering revitalization objectives would be important.

- **The position of KRC Deputy Executive Director should be filled.** KRC needs to devote more attention to real estate and development problems. KRC should have a deputy director with clearly defined responsibilities and hire a development officer experienced in real estate (if necessary on a part time or incentive basis). Alternatively, someone could be hired to handle finance and accounting responsibilities on a day to day basis, and the current comptroller could devote more time to development and real estate matters. KRC should allocate senior management time to address the following priority issues: (1) collection of property arrearages and renegotiation of market-based leases of KRC owned space, (2) development of a strategy for optimizing the benefits of the Vision 2020 Plan for Inner Kingston, and (3) expediting the completion and occupancy of Public Buildings West, the sale of land to ICD, and the timely collection of all funds owed to KRC for development projects.
- **KRC should not get involved in any major development project unless most of the funds will be provided by other investors and a financial analysis demonstrates it will earn a market rate of return.** Conditions downtown have changed since 1986 and KRC's role now should be that of project packager/catalyst/broker. In deciding which projects KRC should focus its attention on, past history suggests that KRC should avoid complex, large scale projects that require KRC to invest an inordinate amount of time and money, that do not have identified funding sources, or whose feasibility depends upon parliamentary action. KRC funds should typically be used for economic and promotional studies and "seed money" to leverage deals.
- **KRC should not be a long term property owner.** KRC should sell its industrial properties when market conditions improve. In order to maximize the resale value of its industrial complexes KRC needs to devote more attention to property management, leasing, and rent collection and take aggressive action to address problems of vacancies and arrearage. However, KRC should exit the property management business as soon as possible, unless KRC can demonstrate over the next year that it is a profitable activity and worth the effort. Property management is very labor intensive and usually is not sufficiently profitable to justify the management time required by such a business.
- **KRC should give its Community Development Department its own independent management and funding base (under the umbrella of KRC).** KRC's community development program has been very successful, but in order to attract the funding it needs, KRC should establish a tax exempt Community Development Foundation and provide it with a capital base. The foundation should have a clear cut plan and schedule for raising funds, and the Board of the foundation should closely monitor the implementation of the plan. Foundation staff and the Board need to be firmly committed to fundraising and increasing the community development resources for Inner Kingston.

UDC and GOJ

- **UDC should complete the Harbour Street Sewer and put it into operation.**
- **UDC should review its redevelopment program for Inner Kingston in light of changes over the past eight years.** UDC should review and evaluate its plans for Inner Kingston and as part of that process address the problems of what to do with the vacant Urban Bus Terminal site, how to market and put to use all the vacant lands it owns downtown, what to do with the Oceana Hotel property, and how UDC and KRC can work together more constructively. The “Annual Planning Process” employed in the earlier years of the Project might be revived. Areas for potential cooperation include joint planning for specific areas, joint development of sites, and joint marketing of Inner Kingston.
- Relocating GOJ offices downtown can be a powerful and cost effective revitalization tool. **GOJ should make every effort to relocate more offices downtown and use its need for lower priced space as a development tool.** There are clearly many ways UDC and KRC can work together on this common objective.
- The tax incentives for Inner Kingston can help spur the revitalization process. **GOJ should promptly issue the regulations for downtown tax incentives to prevent investors from delaying building plans and to eliminate uncertainty about what the rules will be.** The rules for qualifying for tax exemption should be simple and transparent. While some businessmen question the value of the incentives, they will certainly focus investor attention on Inner Kingston.
- The creation of the Task Force for Downtown Improvement will further downtown redevelopment. **GOJ should consider the Task Force for Downtown Improvement as the central policy advisory board for government and use it to help coordinate revitalization efforts and keep GOJ aware of what actions it must take.** There is a continuing need for an active public development organization in Inner Kingston. If UDC cannot play that role, some other organization should be assigned those powers.

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LIST OF PERSONS INTERVIEWED

Algrove, John	Former Chief Engineer, UDC
Amar, Micky	DKMD
Anderson, Ivan	UDC Executive Director
Benedict, Sister Mary	Laws Street Trade Training Centre
Boch, Basil	Boch Securities
Brown, Betsy	Office of General Development, USAID
Brown, Roger	Assistant Vice President of Investments—Life of Jamaica
Clark, Clarence and Waeling, Holger	The Rotary Club of Kingston
Clark, Olivier	The Gleaner Company
Clementson, Reverend Winston	Hanover Street Baptist Church
Cooke, Alistaire	Grace Kennedy
Cowen, Levant	KRC
Cowens, Reverend G.	Scots/Kirk Church
Cuff, O'Neil	President of Research and Programme Development Company Ltd.
Cummings, Victor	DKMD
Dahlgren, Kirk	Office of Program and Project Development, USAID
Dehring, Chris	Dehring and Bunting
Douglas, Minister Easton	Ministry of Public Service
Dumetz, Donovan	KRC Highholburn Street Complex
Edwards, Olive and Commissioner Phillips	The Gold Street Police Station
Facey, Maurice	Chairman KRC, Chairman Pan Jamaican Investment Trust
Facey, Steven	Vice President, Pan Jamaican Investment Trust
Fletcher, Douglas	Meyers, Fletcher & Gordon
Francis, Frank	Multi-Care Foundation
Gelman, William	Director, RHUDO/CAR, USAID
Grossman, David	Consultant, DKMD
Hassan, Hassan	Engineer, USAID
Hayle, Carolan	Tourism Action Plan (TAP) of Jamaica
Hughes, Wesley	Bank of Jamaica
Jones, Sonja	Attorney-at-Law and Member of KRC's Board of Directors
Kennedy, Francis	Grace Kennedy
Kopstein, Ken	USAID
Lee-Tomlinson, Juliette	KRC Jones Town Redevelopment Project
Levy, Valerie	Real Estate Agent
Lindo, Tony	Scotia Bank

Mair, Linda	Meyers, Fletcher & Gordon
Masterson, Wayne	KRC Property Manager
Matalon, Joe	WHICON
McMorris, Vayden	McMorris, Sibley & Robinson
Miller, Charmaine	KRC Health Clinic
Miller, Keith	Local Government, Youth and Sports
Orane, Doug	PSOJ
Palmer, Cecile	Holy Family All Age School
Panton, Viola	KRC
Peterson, George	Urban Institute
Phillips, Elizabeth	Former Community Development Director, KRC
Phillips, Peter	Minister, Special Projects, Office of the Prime Minister
Pitter-Patterson, Nicole	USAID
Pulley, Van and Adam, Sarah	The World Bank
Roach, Winsome	Project Director, UDC
Robinson, Kim	Former Director of Strategic Planning, KRC
Robinson, Greta and Superintendent Williams	Metropolitan Parks and Markets
Roper, Reverend Garnet	First Missionary Baptist Church
Seymour, Morin	KRC Executive Director
Spence, Trevor	KRC Community Development Department
Stanigar, Pat	Architect
Stuart, Pauline	Stuarts Travel Tourism Plan
Sutherland, Claire	UDC/Hellshire Bay Project
Webber, Maureen	Eagle Merchant Bank
Wright, Robert	Former Development Assistant, KRC
Wright, Deanne Bell	Pan Caribbean Merchant Bank
Ying, Neville	ICD
Younis, Samir	Business Owner, Member of DKMD

Attachment A

Characteristics and Impacts of Principal KRC Development Projects

Attachment A

Characteristics and Impacts of Principal KRC Development Projects

Machado, Knitting Mills, and Denoes & Geddes Brewery

- These three large manufacturing facilities were vacant, had fallen into severe blight, and were occupied by squatters and gunmen. They were symbols of the dereliction and despair afflicting the downtown area.
- KRC acquired and renovated all three structures, which were the first major renovations downtown in many years and led the way for further private sector investment. The three manufacturing facilities provided a major source of stability for East and West Project Area boundaries and helped restore confidence in Inner Kingston.
- In these three facilities alone, almost 2,000 jobs were created.
- Machado was partially financed by long term bonds bought by the private sector; the bond issue demonstrated initial private sector willingness to reinvest in Inner Kingston.

38-40 Harbour Street

- KRC undertook rehabilitation of 38-40 Harbour Street as the first major renovation on Harbour Street, the main east-west downtown corridor.
- The successful completion and renting of 38-40 Harbour Street added confidence for ICD to later begin its J\$100 million redevelopment of corporate offices, one block away.
- 38-40 Harbour Street was KRC's first syndication of property; private investors bought out KRC's investment and further demonstrated private sector commitment to Inner Kingston.

ICD Land Assembly

- KRC assembled derelict sites for sale to one of Jamaica's largest companies; if KRC had not assembled the site, ICD may well have relocated headquarters out of the downtown area.
- ICD has already invested over J\$100 million in improving the previous derelict building shells and has plans to develop more land in the area.
- The ICD site is now headquarters to at least five large subsidiaries as well as its headquarters, including a major unit trust and life insurance company.
- The quality of ICD's development is a symbol of the potential downtown.
- Multi-Care Foundation started by ICD provides social programs in the Project Area and probably would not have been created if ICD had not remained downtown.

95 Harbour Street

- KRC acquired 95 Harbour Street and sold it to the Bank of Nova Scotia for the bank's subsidiary building society headquarters. This is the first relocation of a banking institution's headquarters back to Inner Kingston.
- KRC also brokered acquisition of two adjacent properties for the Bank of Nova Scotia to assemble a large enough site for its subsidiary building society.

104 & 108-110 Harbour Street

- KRC acquired, renovated, and leased two derelict buildings to Island-Victoria Bank for its branch office, which signaled further confidence of the financial sector in Inner Kingston.
- KRC is selling the properties to the National Insurance Scheme, which is a breakthrough in attracting major pension fund investment into the downtown area.

3 Duke Street

- KRC convinced the Anglican Church to renovate this derelict building on an important street. This was the first renovation on this street, which has subsequently been almost totally renovated.
- 3 Duke Street is also KRC's headquarters, which the Anglican Church leases to KRC on a concessionary basis.

Public Buildings West and Justice Square

- Public Buildings West (PBW) is one of the historic government buildings in Kingston. It had become dilapidated, was occupied largely by squatters, and was an eyesore. As GOJ was searching for budgetary solutions to its huge deficits, KRC proposed renovating PBW as an agent for GOJ. KRC's construction expertise was viewed by GOJ as a means to more efficiently and cost-effectively renovate public property than could be accomplished by government agencies.
- PBW was the second major renovation of government office buildings downtown. The first was Public Buildings East (PBE), which was part of another USAID project.
- PBW and PBE secure downtown Kingston as the center of the legal community, with the Supreme Court, Court of Appeals, and Department of Public Prosecutions located in renovated facilities.
- PBW serves as a relocation facility for government offices (Accountant General's office) and helped spur a government decision to relocate a large number of offices downtown.
- KRC's renovation of Justice Square greatly improved the image of this major commercial corridor. Now it also serves as a base for street festivals and events.

King Street Improvements

- King Street is the historic, major consumer retail street in Kingston. It had fallen on hard times, and the retail trade was relegated to secondary retail outlets and dilapidated buildings.
- KRC used a USAID grant to upgrade the street and streetscapes. Restoration grants were made to owners to improve their facade.
- Today, the retail trade on King Street has again become buoyant. Many stores have been renovated, and the retail trade is reported to be the most profitable in Kingston.

Duke Street Improvements

- Duke Street is the historic center of the legal profession and many financial institutions. The street and buildings had been dilapidated, reinforcing negative images of the downtown area.
- KRC used its experience on King Street to convince property owners to contribute 50 percent of the cost to upgrade the street and streetscape, with the remaining 50 percent deriving from USAID funding.
- Today, Duke Street has charm, and most of the buildings in the area have been renovated. The legal community and financial institutions have stayed and expanded.

Restoration Grants Program

- Many small businesses and buildings in the Project Area needed substantial renovation, but the small investor lacked both confidence and capital to undertake substantial building renovations.
- KRC used USAID grant funds and reflows from investments to make 51 grants totaling J\$3.7 million. The small business owners invested another J\$29 million to complete 255,000 square feet of commercial building space.
- The Restoration Grants Program was highly successful as an incentive to upgrade dilapidated buildings throughout the Project Area.

Building Demolition and Open Space Program and ACE (Clean Environment) Program

- There are numerous abandoned buildings and derelict sites in the Project Area. Many are along key downtown corridors. The abandoned buildings heighten the sense of degradation in the Project Area, serve as a disincentive for investors and visitors alike to travel downtown because they associate the derelict sites with crime and violence, and generally undermine efforts to improve perceptions about Inner Kingston.
- KRC, in conjunction with the City of Kingston (KSAC), is using USAID grant funds and private contributions to secure derelict buildings and clean up abandoned sites. The reception by downtown interests to this program has been very positive, with a number of property owners undertaking site stabilization by themselves. Although final arrangements were concluded with the City of Kingston only in 1994, 17 buildings have been secured, covering over 75,000 square feet of land.
- KRC is developing a third streetscape program for Harbour Street to build on the King and Duke Street successes. Initial support by property owners along Harbour Street has been positive, and it is likely that a cost-sharing financing structure will be implemented.

Attachment B

Restoration Grants Projects

**RESTORATION GRANTS PROJECTS
STATUS REPORT - NOVEMBER 1994**

PROJECT NAME	ADDRESS	DESCRIPTION OF WORK	SQ. FT.	TOTAL INVESTMENT (J\$)	KRC GRANT (J\$)	ACTUAL COMPLETION DATE
Rooms - Homelectrix	23 King St.	Genl. Renov.	10,500	301,000	75,000	4/87 (2)
Stanley Motta	27 King St.	Facade	7,225	12,050	6,025	12/87
And H.B. Aguilar Ltd.	95 Harbour St.	Roof	2,700	177,467	44,366	12/87
Pilot Paint-up Project #1	112-120 Harbour St.	Paint-up / Facade	N/A	29,082	14,571	23/12/87
Morin's Eng. Shop	12 1/2 King St.	Facade	7,225	20,000	10,000	3/88
Lythom Cash & Carry	26 East St.	Genl. Renov.	1,875	442,230	88,400	3/88
Indian Comm. Co.	118 Harbour St.	Genl. Renov.	3,000	410,795	102,698	6/88
A.C. Trust Co.	82-66 Harbour St.	Paint-up	N/A	25,057	12,528	6/88
Legal Holdings	62 Duke St.	Genl. Renov.	9,290	244,200	48,840	6/88
Inc. Lay Body	2 Mark Lane	Genl. Renov.	4,400	443,089	88,617	7/88
Lady Musg. Soc.	89 Harbour St.	Paint-up	N/A	6,800	3,400	12/88
Kenric Kidd	83 Port Royal St.	Genl. Renov.	7,000	856,349	200,000	12/88
Hsi Mein Bun	110 Barry St.	Genl. Renov.	2,146	200,917	40,183	6/89
Herman Samuels	203-205 Tower St.	Genl. Renov.	3,800	103,332	20,667	10/89
W. McCalla	110 Harbour St.	Genl. Renov.	3,489	200,233	53,858	12/89
National Dry Cleaning	53 East Qn. St.	Genl. Renov.	16,730	355,997	71,200	12/89
John Collins	92 Harbour St.	Genl. Renov.	7,200	693,671	173,418	2/90
Times Store	8-12 King St.	Facade/Roof	21,000	195,231	49,056	1/90 (2)

PROJECT NAME	ADDRESS	DESCRIPTION OF WORK	SQ. FT.	TOTAL INVESTMENT (J\$)	KRC GRANT (J\$)	ACTUAL COMPLETION DATE
Crafton Miller	1A Duke St.	Facade	N/A	190,257	48,266	5/90
Norma Linton	7 Duke St.	Genl. Renov.	1,500	136,690	34,173	4/90
C.D. Alexander	75 Port Royal St.	Genl. Renov.	6,000	416,838	83,367	5/90
A.A. Younis	151 Harbour St.	Facade	N/A	15,702	4,451	9/90 (4)
N. Alexander	108 Harbour St.	Facade	N/A	32,013	16,006	9/90
Konvertra Ltd.	93 Port Royal St.	Genl. Renov.	7,782	123,824	24,765	9/90
Inner City Dev. Trust	5456 Church St.	Genl. Renov.	31,090	352,571	88,143	2/91
Herman Samuels	203 1/2 207 Tower St.	Genl. Renov.	3,117	128,528	32,132	1/91
Restaurant Associates	121 Harbour St.	Genl. Renov.	9,500	2,491,387	100,000	2/91
Gloria Hendricks	187 Tower St.	Genl. Renov.	1,400	523,302	100,000	5/91
Mother's Enterprise	14 N. Parade	Genl. Renov.	7,200	1,500,000	100,000	
V.G. McDaniel	1 W. Queen St.	Genl. Renov.	1,100	126,847	25,370	2/91
M&M Hanna Sales Co.	105 Princess St.	Genl. Renov.	16,000	3,083,000	200,000	6/91
Broadbent Ltd.	1 Duke St.	Genl. Renov.	2,504	689,967	100,000	8/91
Yusef Warwar	26 1/2 - 30 Luke Ln	Genl. Renov.	4,546	1,127,664	100,000	11/91
Inner City Trust	54 - 56 Church St.	Facade/Sidwalk		105,805	49,150	7/91
Broadbent Ja. Ltd.	1-1 1/4 Duke St.	Genl. Renov	3,529	455,780	100,000	2/92
Dennis Hugh	16 Church St.	Genl. Renov.	4,000	1,622,633	200,000	12/91
Clinton McBean	3 - 5 Orange St.	Genl. Renov.	3,840	2,376,653	100,000	4/92
Strata Corp.	33 Duke St.	Facade/Roof	2,432	148,210	37,053	12/90 (P)
T.G. Enterprises	37 Victoria Ave.	Genl. Renov.	10,000	340,449	85,112	10/89 (P)

PROJECT NAME	ADDRESS	DESCRIPTION OF WORK	SQ. FT.	TOTAL INVESTMENT (J\$)	KRC GRANT (J\$)	ACTUAL COMPLETION DATE
Carlton Walton	25 West St.	Genl. Renov.	1,425	287,185	57,437	8/90 (P)
W. McCalla	40 East St.	Genl. Renov.	3,800	386,141	77,228	12/90 (P)
M.J. Investment	81 Harbour St.	Genl. Renov.	2,528	682,346	100,000	12/91 (P)
S. Reid/K. D'Oyen	99 Tower St.	Genl. Renov.	2,465	798,759	100,000	12/91 (P)
D. McinTosh - Brice	19 Church St.	Genl. Renov.	2,607	292,762	58,553	9/92
Leroy McIntosh	38 East St.	Genl. Renov.	9,044	495,615	99,123	6/90 (P)
Noel Madden	93 1/2 King St.	Genl. Renov.	2,560	162,032	40,508	
T. G. Enterprise	37 Victoria Ave.	Genl. Renov.	N/A	3,679,140	114,888	10/94
Moby Dick	43 Port Royal St.	N/A	N/A	4,500,000	100,000	10/94
Mothers Enterprise	79 King St.	N/A	N/A	1,522,000	100,000	11/94
Frater Eunis Gordon	21-23 Duke St.	N/A	N/A	57,410	25,000	11/94
Herbert Gordon	N/A	N/A	N/A	343,000	63,000	N/A
Total				33,912,012	3,666,557	

P = Proposed rather than completed date

N/A = data not available

Source: KRC Records

Attachment C

Inner Kingston Development Project Analysis of KRC Reflows From Real Estate Projects Actual and Projected Results: 1986-2000 and Reflow Analysis of Industrial Properties (In US\$ and J\$)

Inner Kingston Development Project
Analysis of KRC Reflows from Real Estate Projects
Actual and Projected Results: 1986–2000
(000's of Dollars)

PROPERTY	INVESTMENT				REFLOWS				
	Year of Investment	Jamaica Dollars	Exchange Rate**	US Dollars**	Year of Reflow	Jamaica Dollars	Exchange Rate**	US Dollars**	Net Reflows (Dollars)
D & G I, Knitting Mills & Machado*	1987	\$21,100	\$5.5	\$3,836	Various*	\$145,200	Various*	\$2,905	(\$931)
38–40 Harbour street	1988	\$5,177	\$5.6	\$924	1991	\$4,408	\$17.8	\$248	(\$677)
78–80 Harbour	1988	\$1,700	\$5.6	\$304	1989	\$1,700	\$6.5	\$262	(\$42)
Public Building West–Phase I	1989	\$1,900	\$5.6	\$339	1990	\$1,900	\$10.0	\$190	(\$149)
104, 108, 110 Harbour Street	1993	\$9,778	\$29.8	\$328	1995	\$13,916	\$38.0	\$366	\$38
95 Harbour Street	1993	\$3,809	\$22.5	\$169	1994	\$6,500	\$33.2	\$196	\$26
Public Building West–Phase II	1993	\$6,000	\$22.2	\$270	1995	\$6,000	\$36.0	\$167	(\$104)
Industrial Center	1989/90	\$1,728	\$7.0	\$247	1994/95	\$4,668	\$33.0	\$141	(\$105)
TOTALS		\$51,192		\$6,418		\$184,292		\$4,474	(\$1,944)

Notes:

Investment = Original inputs of cash into project(s). Reflows = Cash recoveries in form of net rentals, refinancings, sales

* Various = multiple years of reflows. in the case of these properties, year by year detail (including future sales) is shown in Chart ____.

** Exchange rate and resultant US dollar conversion determined by year, and month of reflow

Kingston Restoration Company

Reflow Analysis of Industrial Properties
(Machado, D & G Phase I, and Knitting Mills)
Fiscal Years: 1986-1993
(July 1 - June 30)

In US \$												
	Initial Investment	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	1996/1997	1997/1998
(Exchange rate: Jamaica \$:US\$)	\$5.5	\$5.5	\$5.6	\$6.5	\$10.0	\$17.8	\$23.0	\$28.5	\$36.8	\$47.8	\$62.1	\$80.8
Income	\$0	\$129,046	\$299,847	\$353,573	\$327,213	\$212,759	\$252,968	\$384,788	\$434,103	\$419,532	\$416,257	\$409,542
Expenses	\$0	(\$97,845)	(\$184,107)	(\$176,323)	(\$161,448)	(\$136,447)	(\$195,905)	(\$269,820)	(\$339,353)	(\$317,746)	(\$317,951)	(\$317,688)
Net Cash Flow from Operations (A)	\$0	\$31,201	\$115,740	\$177,250	\$165,765	\$76,311	\$57,063	\$114,968	\$94,750	\$101,786	\$98,306	\$91,853
Other Cash Flow in Period												
Building Purchase/Rehab Expenditures	(\$3,836,364)											
Building Sales												\$1,531,097
Borrowings/Advances			\$857,143									(\$49,505)
Repayments (Principal and Interest)	\$0			(\$164,615)	(\$120,000)	(\$67,416)	(\$52,174)	(\$42,105)	(\$32,609)	(\$25,105)	(\$19,324)	(\$14,851)
Cash Flow from Investment Activities (B)	(\$3,836,364)	\$0	\$857,143	(\$184,615)	(\$120,000)	(\$67,416)	(\$52,174)	(\$42,105)	(\$32,609)	(\$25,105)	(\$19,324)	\$1,466,741
Total Cash Flow in Period (A) + (B)	(\$3,836,364)	\$31,201	\$972,883	(\$7,355)	\$45,765	\$3,896	\$4,889	\$72,863	\$62,141	\$76,681	\$78,982	\$1,558,594
CUMULATIVE CASH FLOW	(\$3,836,364)	(\$3,805,162)	(\$2,832,280)	(\$2,839,645)	(\$2,793,880)	(\$2,784,984)	(\$2,780,095)	(\$2,707,232)	(\$2,645,091)	(\$2,568,410)	(\$2,489,427)	(\$930,833)
Internal Rate of Return	-3.5%											
Net Present Value at 4% Discount Rate of 1987-1998 Returns	\$2,105,929											
As % of Original Investment	55%											

Notes:

1987 - 1994 Data from Viola Banton, Controller of KRC. 1994 + from projection chart "Rental Operations: 1994 - 2002."

Kingston Restoration Company

**Reflow Analysis of Industrial Properties
(Machado, D & G Phase I, and Knitting Mills)**

Fiscal Years: 1986-1993

(July 1 - June 30)

In Jamaica \$												
	Initial Investment	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	1996/1997	1997/1998
(Exchange rate: Jamaica \$:US\$)	5.5:1	5.5:1	5.6:1	6.5:1	10.0:1	17.8:1	23.0:1	28.5:1	36.8:1	47.8:1	62.1:1	80.8:1
Income	\$0	\$709,754	\$1,679,142	\$2,298,224	\$3,272,129	\$3,787,102	\$5,818,258	\$10,956,456	\$15,975,000	\$20,053,640	\$25,849,570	\$33,090,955
Expenses	\$0	(\$538,146)	(\$1,031,000)	(\$1,146,097)	(\$1,614,478)	(\$2,428,758)	(\$4,505,811)	(\$7,689,865)	(\$12,488,200)	(\$15,188,282)	(\$19,744,766)	(\$25,668,196)
Net Cash Flow from Operations (A)	\$0	\$171,608	\$648,142	\$1,152,127	\$1,657,651	\$1,358,344	\$1,312,447	\$3,276,591	\$3,486,800	\$4,865,358	\$6,104,804	\$7,421,759
Other Cash Flow in Period												
Building Purchase/Rehab Expenditures	(\$21,100,000)											
Building Sales												
Borrowings/Advances			\$4,800,000									\$123,712,651
Repayments (Principal and Interest)				(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$4,000,000)
Cash Flow from Investment Activities (B)	(\$21,100,000)	\$0	\$4,800,000	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)
Total Cash Flow in Period (A) + (B)	(\$21,100,000)	\$171,608	\$5,448,142	(\$47,873)	\$457,651	\$158,344	\$112,447	\$2,076,591	\$2,286,800	\$3,665,358	\$4,904,804	\$125,934,410
CUMULATIVE CASH FLOW	(\$21,100,000)	(\$20,928,392)	\$15,480,250	(\$15,525,123)	(\$15,070,472)	(\$14,912,128)	(\$14,789,681)	(\$12,723,090)	(\$10,436,290)	(\$6,770,932)	(\$1,666,128)	\$124,068,282
Internal Rate of Return		21.6%										

Notes:

1987 - 1994 Data from Viola Banton, Controller of KRC. 1994 + from projection chart *Rental Operations: 1994 - 2002.*

CP

Attachment D

Public Forum Downtown Kingston Management District

PUBLIC FORUM

Downtown Kingston Management District
1a Duke Street
Kingston, Jamaica, W.I.

Sponsoring Organizations:

Urban Development Corporation
&
Kingston Restoration Company

28 September 1994

Prepared By:
Victor J.N. Cummings
Consultant/Project Director

Downtown Kingston Management District (DKMD)

ADGENDA

- | | | |
|------|--------------------------|--------------------------|
| I. | Welcome and Introduction | Mr. Michael Ammar, Jnr. |
| II. | Overview | Mr. Morin Seymour |
| III. | Sponsors Greetings | Ms. Claire Sutherland |
| IV. | What is DKMD? | Mr. Victor J.N. Cummings |
| V. | What are the programmes? | Mr. Victor J.N. Cummings |
| VI. | Membership | Mr. Michael Ammar, Jnr. |
| VII. | Questions & Answers | Audience |

A. Introduction

The process for the implementation of a Downtown Management District has commenced. The Consultant/Project Director (Victor J.N. Cummings) has been working with the Sponsoring Organizations to gain support and consensus from the business community on the programme. A Draft of the Strategic Plan is complete; the preliminary boundaries have been proposed; and the incorporation of the DKMD is proceeding.

B. What is a Downtown Management District?

A Downtown Management District or a Business Improvement District is an organizing and financing mechanism used by property owners and merchants to determine the future of their retail, commercial, and industrial areas. The DMD can utilize existing laws to band together to assess themselves. The funds collected can be used for purchasing supplemental services (e.g. maintenance, sanitation, security, promotions, and special events), and capital improvements (e.g. street furniture, tree plantings, special lighting) beyond those services and improvements provided by the government. In essence, the programme is one of self-help through self-taxation.

C. Support Being Sought

1. Private Sector

- a. Active support and participation
- b. Contributions to continue Pilot Project
- c. Incorporation of DKMD
- d. Approval of Programmes
- e. Determination of Boundaries
- f. Determination of Assessment Formula
- g. Implement Strategic Plan

2. Government

- a. Active support and participation
- b. Contributions to continue Pilot Project

- c. Approval of Programmes
- d. Non-profit designation of DKMD
- e. Approval of Boundaries
- f. Approval of Assessment Formula
- g. Ammendment of relevant laws

D. Programmes

The programmes to be provided may include any services required for the enjoyment and protection of the public, and the promotion and enhancement of the District. Details of service delivery will be derived from consultations with qualified individuals and DKMD committees.

1. Public Safety

After extensive consultation with and concurrence by, the Jamaica Constabulary Force, a public safety programme will be implemented. The security programme will include and will not be limited to a supplementary security presence throughout the DKMD.

The goal of the programme is to give people visiting and working in Downtown Kingston a feeling of security through the presence of DKMD uniformed personnel in addition to those of the Jamaica Constabulary Force; to present a uniformed presence in areas most susceptible to street crimes; and to raise the quality of life in the area. The DKMD's public safety team will be tied into the JCF's communication network.

2. Solid Waste Management

The DKMD will consult with the MPM on developing a programme and maintain on-going coordination with MPM in its operations. The DKMD solid waste management programme may include but will not be limited to manual sweeping of curbs and gutters and, where necessary, sidewalks, commercial garbage collection, cleaning of vacant buildings, and emptying of public and private litter receptacles. It will commence, initially on King and Duke Streets and expand to other streets as financial resources permit.

The problem of garbage in the Downtown Kingston area is mainly resulting from one major element. Vendor/Commercial garbage - This is a

problem that exists in some areas Downtown. In these areas the vendors on the streets leave the garbage accumulated where they happen to be selling and it is believed that some businesses are not aware that it is their responsibility to remove their garbage. To combat this problem we recommend a four pronged approach.

1. Vendors be removed permanently off the streets and be placed in the areas provided. Those refusing to move will have their goods confiscated and a penalty imposed.
2. All businesses in the Downtown area will be informed of their legal obligation to remove their litter. It will also be recommended to them that the DKMD eventually become responsible for picking up their garbage. The DKMD waste management staff should routinely patrol the areas in the late afternoons, the time at which illegal dumping of garbage on the streets usually takes place as this will facilitate the fining of offenders.
4. The DKMD will be developing an environmental education programme. This programme will be offered to community members and vendors.

3. Festival Marketing/Public Relations - The DKMD will be developing a Festival Marketing/Public Relations programme with the objective of highlighting and improving the image of downtown Kingston in order to boost its commercial activity. Components of this programme will be cultural activity and seasonal events. The Strategy's objectives are:

1. Put in place a vibrant, and strong organization
2. Improve the public image of Downtown Kingston.
3. Educate the general public on what is available in Downtown Kingston.
4. Encourage consumers to shop Downtown.

The strategies which will be used to achieve the overall objectives are as follows:

1. The immediate acceptance and implementation.
2. A public relations campaign.

3. An advertising campaign.
4. Sales promotion to offer incentives for area shopping.

E. Relevant Laws

The following laws are relevant to the establishment of the DKMD. These laws can be utilize with minor amendments until a BID/DMD law is passed by Parliament.

1. The Land Improvement Tax Act
2. The Property Tax Act
3. The Land Development Duty Act
4. The Parochial Rates and Finance Act

The Legal Analysis Committee will be analyzing these laws and making recommendations in the near future.

F. Financial Considerations

1. Seed Capital

The initial funds of J\$1,860,000 was provided by a grant from the Urban Development Corporation to the Kingston Restoration Company, under the UDC/USAID Inner Kingston Redevelopment Programme.

2. Additional Funding

To continue the process the DKMD will need additional from the private sector. Some of the funds for the operation of the Solid Waste Management Programme was provided by the King Street Eusiness Association and by KRC. Letters have been sent out to selected businesses in the project area soliciting funds.

3. Estimated First Year Budget

A proper budget is being prepared with the assistance of an accountant.

Attachment E

Results of KRC's Management Review

Results of the KRC Management Review

Recommendations	Actions Taken by KRC
<p>Financial Plan to be developed for the period 1994 to 1996 by KRC Board Members by July 1994. The plan is to present: 1) Proposal for a structure to generate fees to support activities</p> <p>2) Quarterly Budgets to Project completion date, September, 1996;</p> <p>3) A package of properties for investment in pension fund.</p>	<p>Plan completed September, 1994 and contained the following:</p> <p>1) A plan for a Property Management and Marketing Division which will perform property management and marketing functions to generate surplus income.</p> <p>2) Annual Budgets for 1994/95 and 1995/96.</p> <p>3) Initial plan to sell Machado to a pension plan. This sale should provide other funds for other development.</p>
<p>Community Development Plan for period 1994 to 1996 to be developed by July 1994. The plan is to present:</p> <p>1) Alternative strategies for implementation and funding of Community Development programmes;</p> <p>2) Restructuring of the community development operations to effectively reduce costs.</p>	<p>Plan completed September 1994 in the form of a proposal to set up a Community Development Foundation to replace the existing Community Development Division. The plan states:</p> <p>1) Operating costs until 1996 are projected to be covered by Ja\$2m from reflows from KRC and Ja\$2m from USAID. After 1996 it is expected that the Foundation will attract funds from local and international sources to build up an Endowment Fund. Fund will also be increased by the sale of the Machado Complex.</p> <p>2) In order to reduce operating costs, a plan is presented to develop institutions for sharing management of the community projects with community organizations. This should lead to reduction of inputs of staff resources and costs to KRC as community members gain experience in community management.</p>
<p>Restructure the KRC Board along the following lines:</p> <p>1) Membership offered to younger CEOs;</p> <p>2) A Board member should be elected from the community;</p> <p>3) The Board is to be structured into subcommittees with each responsible for a specific area of activity.</p>	<p>Seven new appointments were made to the Board in September. The total number on the Board increased from fifteen to twenty.</p> <p>1) Done</p> <p>2) Done</p> <p>3) Will be done at the next Board meeting as a co-operative effort.</p>

Attachment F

Jamaica: Selected Economic Data 1984-1993

JAMAICA: SELECTED ECONOMIC DATA 1984-1993

	1984	1985	1986	1987	1988	1989	1990	1991	1992	Prel. 1993
NATIONAL ACCOUNTS										
GDP, current prices (m. J\$)	9,358	12,496	14,457	16,313	-	24,772	33,248	50,110	76,250	93,070
GDP, 1974 prices (m. J\$)	1,925	1,854	1,926	2,033	-	2,325	2,420	2,440	2,484	2,558
Real GDP Growth Rate (%)	-0.9	-3.7	3.9	5.5	-	4.7	4.1	0.8	1.8	3.0
Real Per Capita GDP (1974 J\$)	820	782	805	843	-	949	982	982	991	1,011
Real Per Capita GDP Growth Rate (%)	-1.9	-4.6	2.9	4.6	-	3.9	3.4	0.0	0.9	2.1
PRICES										
GDP Price Deflator (1974=100)	486	674	751	802	915	1,066	1,374	2,054	3,070	3,638
Annual Change (%)	35.0	38.7	11.4	6.9	14.0	16.5	28.9	49.5	49.5	18.5
Consumer Prices (Jan. 1988=100)	50.4	72.2	92.8	100.0	109.0	126.4	157.8	266.0	419.0	505.3
Annual Change (%)	30.1	22.2	7.2	8.3	9.2	16.0	24.8	68.6	57.5	20.6
BALANCE OF PAYMENTS (m. US\$)										
Current Accounts	-284	-293	-111	-184	-62	-327	-215	-156	43	-31
Exports, fob	673	539	623	792	813	1,074	1,219	1,082	1,047	1,152
Imports cif	1,221	1,034	1,030	1,294	1,593	1,831	1,901	1,742	1,756	1,952
Trade Balance	-548	-495	-407	-502	-780	-757	-682	-660	-710	-799
Prime/Average Lending Rate (% December)	18	23	25	25	24	24	36	40	46	61

Sources: USAID, *Latin America and Caribbean Selected Economic and Social Data*, Washington, D.C., May 1994; and Bank of Jamaica, *Statistical Digest*, July 1994.

Attachment G

**Kingston Restoration Company
Summary of Revenues and Expenditures
Fiscal Years: 1994-2002 (In JS)
and
Summary of Revenues and Expenditures for Rental Operations
Fiscal Years: 1994-2002 (In JS)**

Kingston Restoration Company
Illustrative Projection of Potential Revenues and Expenditures
at Minimum "Core" Operations Levels
Fiscal Years: 1994-2002

(July 1 - June 30)

*Note: This projection is designed solely to illustrate how KRC could survive for at least seven more years at present core staffing levels and expend \$US 250,000/year on individual projects and programs without funding beyond the remainder of the current Phase II USAID grant, and present minimum third party donations of approximately \$US 40,000/year. Obviously, any additional funding sources over and above those illustrated here would allow KRC to support additional levels of program activity or alternatively fund endowment to extend its life beyond 2002.

In Jamaica \$

	Assume Inflation at				Interest at			
	1994/ 1995	1995/ 1996	1996/ 1997	30.0% 1997/ 1998	30.0% 1998/ 1999	30.0% 1999/ 2000	30.0% 2000/ 2001	30.0% 2001/ 2002
(Exchange rate: Jamaica \$:US\$)	36.8	47.8	62.1	80.8	105.0	136.5	177.5	230.7
Income								
Net Rental Income	\$3,486,800	\$4,865,358	\$6,104,304	\$7,422,759	\$0	\$0	\$0	\$0
Development Fees	\$3,856,000	\$1,000,000	\$1,300,000	\$1,690,000	\$2,197,000	\$2,856,100	\$3,712,930	\$4,826,809
Interest Earned	\$3,516,000	\$7,172,640	\$7,116,539	\$6,423,192	\$35,682,448	\$30,884,360	\$20,103,999	\$183,829
Subtotal - Operational Income (A)	\$10,858,800	\$13,037,998	\$14,521,343	\$15,535,951	\$37,879,448	\$33,740,460	\$23,816,929	\$5,010,638
Expenses								
Core Operations	\$9,250,000	\$12,025,000	\$15,632,500	\$20,322,250	\$26,418,925	\$34,344,602	\$44,647,983	\$58,042,378
Debt Interest	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
Subtotal - Operational Expenses (B)	\$10,450,000	\$13,225,000	\$16,832,500	\$21,522,250	\$27,618,925	\$35,544,602	\$45,847,983	\$59,242,378
NET CASH FLOW: OPERATIONS (A) - (B) = (C)	\$408,800	(\$187,002)	(\$2,311,157)	(\$5,986,299)	\$10,260,523	(\$1,804,142)	(\$22,031,054)	(\$54,231,741)
Other Cash Flow in Period								
Projects/Programs Costs	(\$10,700,000)	(\$13,900,000)	(\$18,070,000)	(\$23,491,000)	(\$30,538,300)	(\$39,699,790)	(\$51,609,727)	(\$67,092,645)
US AID Grants	\$9,200,000	\$11,950,000	\$15,535,000					
Other Private/Public Contributions	\$1,500,000	\$1,950,000	\$2,535,000	\$3,295,500	\$4,284,150	\$5,569,395	\$7,240,213	\$9,412,278
Building Sales	\$20,000,000			\$123,712,651				
Borrowings/Advances/Recoveries	\$2,500,000							
NET CASH FLOW - OTHER ACTIVITIES (D)	\$22,500,000	(\$0)	(\$0)	\$103,517,151	(\$26,254,150)	(\$34,130,395)	(\$44,369,513)	(\$57,680,368)
Beginning of Period Balance	\$1,000,000	\$23,908,800	\$23,721,798	\$21,410,641	\$118,941,494	\$102,947,867	\$67,013,330	\$612,762
Net Cash Flow for Period (C) + (D)	\$22,908,800	(\$187,002)	(\$2,311,157)	\$97,530,853	(\$15,993,627)	(\$35,934,537)	(\$66,400,568)	(\$111,912,108)
End of Period Balance	\$23,908,800	\$23,721,798	\$21,410,641	\$118,941,494	\$102,947,867	\$67,013,330	\$612,762	(\$111,299,346)

Notes:

- This model assumes 30%/yr. inflation in Jamaica dollars, 30%/yr. interest rates and 30%/yr. devaluation against US \$
- USAID funds are assumed distributed at rate of \$250,000/yr (US) for three years from July 1, 1994 thru June 30, 1997
Other donors are assumed to contribute annual amounts at a rate of 150% of the donor commitments KRC presently has lined up
- Matalon sites: 104:108-110 Harbour sold in 1994-1995; PBW advances recovered in 1994-1995; and industrial sites sold in June, 1998.
- 1994/1995 Income / Expenses from KRC Transitional Plan with some modifications: development fees assumed lower from 1995 on;
Net Rental Income per separately attached projection of Rental Operations, which differs from KRC's last forecast
- Interest earned is calculated by taking previous year's End of Period Balance times 30%

Kingston Restoration Company
Illustrative Projection of Potential Revenues and Expenditures
at Minimum "Core" Operations Levels
Fiscal Years: 1994–2002

(July 1 – June 30)

*Note: This projection is designed solely to illustrate how KRC could survive for at least seven more years at present core staffing levels and expend \$US 250,000/year on individual projects and programs without funding beyond the remainder of the current Phase II USAID grant, and present minimum third party donations of approximately \$US 40,000/year. Obviously, any additional funding sources over and above those illustrated here would allow KRC to support additional levels of program activity or alternatively fund endowment to extend its life beyond 2002.

In Jamaica \$	Rental Operations							
	Vacancy=	10% Assume Inflation at			30% Rent Increases at			27%
	1994/ 1995	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002
(Exchange rate: Jamaica \$:US\$)	36.8	47.8	62.1	80.8	105.0	136.5	177.5	230.7
Income:								
NNN Potential	\$5,075,000	\$7,400,000	\$9,393,000	\$11,935,460	\$15,158,034	\$19,250,703	\$24,448,393	\$31,049,460
Less Vacancy	(\$1,015,000)	(\$740,000)	(\$939,800)	(\$1,193,546)	(\$1,515,803)	(\$1,925,070)	(\$2,444,839)	(\$3,104,946)
Net rental income	\$4,060,000	\$6,660,000	\$8,658,000	\$10,741,914	\$13,642,231	\$17,325,633	\$22,003,554	\$27,944,514
Operating Expense Recovery	\$8,080,000	\$11,817,000	\$15,362,100	\$19,970,730	\$25,961,949	\$33,750,534	\$43,875,694	\$57,038,402
Property Management Fees	\$1,446,000	\$945,360	\$1,228,968	\$1,597,658	\$2,076,956	\$2,700,043	\$3,510,056	\$4,563,072
Collection Past Due Rents	\$2,389,000	\$631,280	\$600,503	\$780,653	\$1,014,849	\$1,319,304	\$1,715,095	\$2,229,624
Total Income (A)	\$15,975,000	\$20,053,640	\$25,849,571	\$33,090,956	\$42,695,985	\$55,095,513	\$71,104,399	\$91,775,611
Expenses:								
Administrative	\$775,000	\$1,134,432	\$1,474,762	\$1,917,190	\$2,492,347	\$3,240,051	\$4,212,067	\$5,475,687
Marketing and Advertising		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Administrative Expenses	\$642,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Expenses on Properties	\$10,100,000	\$13,130,000	\$17,069,000	\$22,189,700	\$28,846,610	\$37,500,593	\$48,750,771	\$63,376,002
Provision for Rental Arrears	\$971,200	\$923,850	\$1,201,005	\$1,561,306	\$2,029,698	\$2,638,608	\$3,430,190	\$4,459,247
Total Expenses (B)	\$12,488,200	\$15,188,282	\$19,744,767	\$25,668,197	\$33,368,656	\$43,379,252	\$56,393,028	\$73,310,936
OPERATING INCOME/ (DEFICIT) (A)–(B)	\$3,486,800	\$4,865,358	\$6,104,804	\$7,422,759	\$9,327,329	\$11,716,261	\$14,711,371	\$18,464,675

Property Values								
Knitting Mills	\$12,784,933	\$17,839,646	\$22,384,281	\$27,216,783	\$34,200,208	\$42,959,625	\$53,941,692	\$67,703,809
D & B Phase I	\$13,947,200	\$19,461,432	\$24,419,216	\$29,691,036	\$37,309,317	\$46,865,045	\$58,845,483	\$73,858,701
Machado	\$31,381,200	\$43,788,222	\$54,943,235	\$66,804,832	\$83,945,964	\$105,446,351	\$132,402,336	\$166,182,077
Total	\$58,113,333	\$81,089,300	\$101,746,732	\$123,712,651	\$155,455,490	\$195,271,021	\$245,189,511	\$307,744,587

Notes:

- The 1994/1995 numbers are from KRC's Transitional Plan with the exception of "Collection of Past Due Rents" and "Provisions for Rental Arrears" which have been modified to reflect more recent information.
- The 1995/1996 and beyond figures assume an aggressive property management effort that stays on top of rental problems and also increases rents on expiring leases way below market. Rents are still assumed to remain significantly below market after being increased in 1995/1996 and are assumed to slowly fall behind inflation.
- Property Values are calculated based on a 6% capitalization rate of net income in year of sale. While some have argued that cash on cash returns Downtown should be in the 10–11% range, we have this lower capitalization rate to reflect the significant room for improvement in rental rates as well as operating cost efficiencies that a more aggressive buyer could achieve.