

**Developmental Themes and Perspectives
Inner Kingston Development Project Phase II**

Prepared for:

**Regional Housing and Urban Development Office
for the Caribbean, USAID, Kingston, Jamaica**

By

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May, 1991

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I. BACKGROUND

The Inner Kingston Development Project was conceived of as a partnership between AID and the Kingston public and private sector to stimulate job creation and investment in downtown Kingston, Jamaica's capital city, and to make downtown the active and attractive heart of the nation.

Between 1976 and 1982, before and after the 1980 national election, downtown and the area just to the west became the focal point of violence. At the same time nearby suburbs and new business centers like New Kingston offered the opportunity for new development and growth and many of downtown's largest private employers took the opportunity to relocate, following a trend not unlike that found in many older American cities in the 1960's and 1970's.

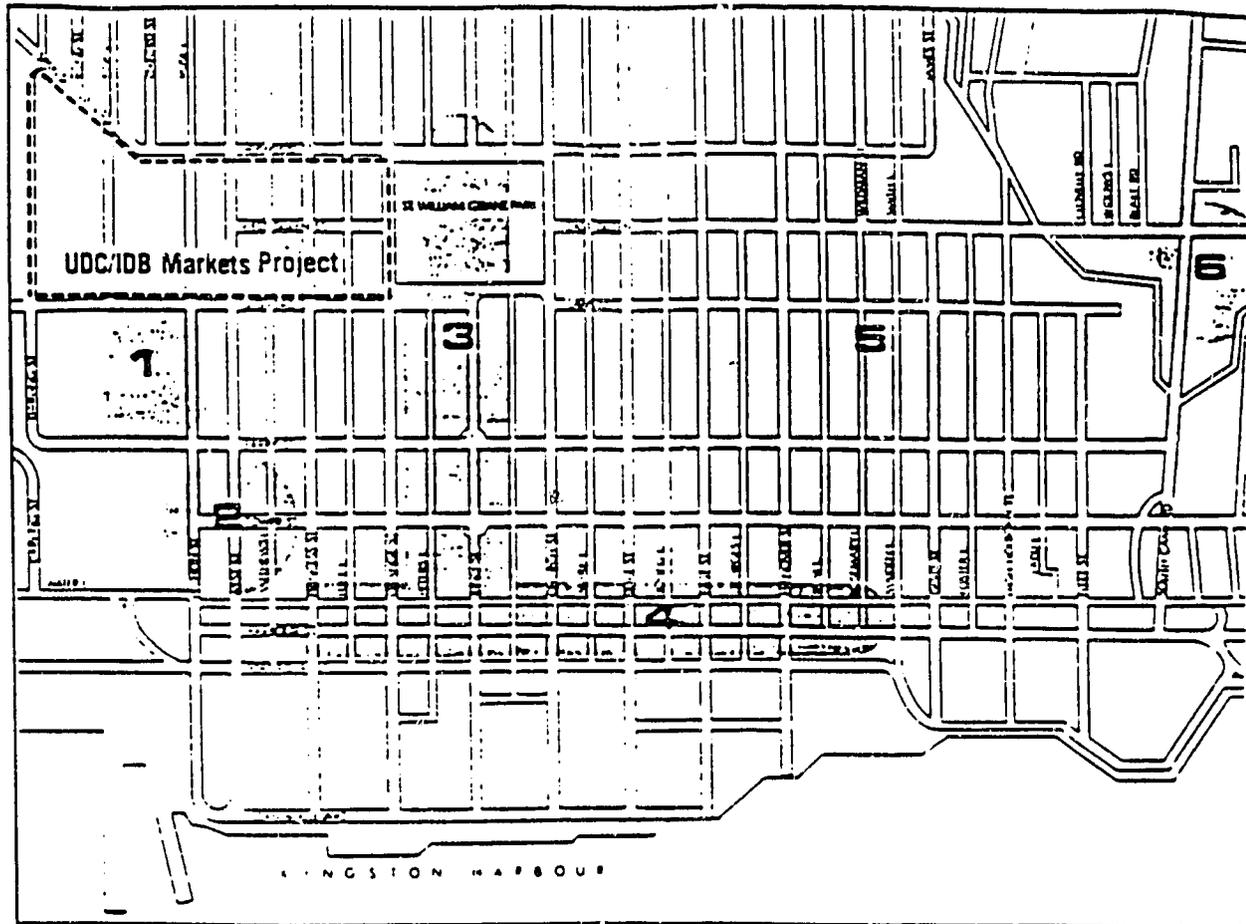
The traditional function of downtown as a deep water and tourist stop, as well as the center of commerce for the entire city, vanished as Jamaica's North Coast developed as the premier resort area of Jamaica. Downtown waterfront piers and properties were systematically demolished and land acquired and cleared lay undeveloped, for the most part, for decades.

The Kingston Restoration Company was established by the private sector and UDC; with the financial support of USAID, focus was centered on a 100 square block district bounded by the Kingston Harbour on the south, E. Queen Street on the north, Pechon Street on the west and South Camp Road on the east.

The Inner Kingston Development Project first phase has attacked the economic and physical erosion of downtown Kingston on several fronts:

1. Rehabilitation of industrial buildings and creation of new jobs.
2. Community social service grants for neighborhood improvement.
3. Rehabilitation of downtown commercial buildings.
4. Rehabilitation of government buildings.
5. Downtown landscaping and the organization of downtown merchants to improve building facades and promote the downtown as a community shopping environment.
6. Attraction of new businesses and government offices back to downtown.
7. Utilizing the Urban Development Corporation projects (Markets, Transportation Centre, Harbour Street Sewer) to good advantage.

By virtually any measure the support that AID has provided KRC has resulted in substantial improvement in the existing building stock and job availability in downtown. Retail vacancies have been reduced and new commercial uses are in evidence.



KEY DEVELOPMENT AREAS IN DOWNTOWN KINGSTON

KRC has focused its activities in several key development areas that will serve as anchors for subsequent broader scale revitalisation. These areas are highlighted on the project area map.

- 1 UDC Transportation/Commercial Centre**—rural and urban bus terminals.
- 2 Pechon Street Light Manufacturing Area**—close to the planned UDC transportation and commercial centre.
- 3 King St.-Parade Commercial Revitalisation Area**—the backbone of old Downtown Kingston, ripe for rehabilitation.
- 4 Harbour Street Corridor**—an area of high accessibility, adjacent to the UDC waterfront development to the south.
- 5 Inner Kingston Residential Neighbourhood Revitalisation Area**—the main residential section of the project with a large concentration of potential labour.
- 6 Machaco Industrial Development Site**—a complex of buildings, many of all-concrete construction.

Without KRC and its USAID funding, there is no question that downtown Kingston would today be in an advance state of economic and physical decline.

The impact that KRC has had on the physical and economic environment can be seen in at least four significant efforts:

1. King Street and Duke Street sidewalk and landscaping projects.
2. Rehabilitation and restoration funding (and construction in the case of the Government East and West Buildings and others) for business structures.
3. Purchase, rehabilitation and leasing of light industrial incubator structures.
4. Purchase and resale for redevelopment of derelict properties along Harbour Street.

Downtown revitalization efforts, under ordinary circumstances, is a team effort. Multiple development and ownership interests, a myriad of government and not-for-profit entities controlling the destiny of portions of downtown, tenants in office and retail commercial structures and the general public all play a role in formulating a successful downtown revitalization effort. KRC has operated as an aggressive and thoughtful advocate for a revitalized Downtown Kingston, and has mobilized community and economic resources to demonstrate the worthiness of investment in downtown and its infrastructure. KRC is the catalyst for downtown improvement, and KRC's efforts will be even more important as Downtown faces even more intense competition for a share of the office, housing and cultural agenda of the future.

The early efforts of the Urban Development Corporation in creating a series of connected convention, retail, hotel, residential and office spaces along the Kingston Harbour (as well as the National Art Gallery) was extremely important to all of Downtown Kingston. With a balanced effort now underway north of Harbour Street it is possible to envision the future physical form of Downtown Kingston as:

1. A historic and traditional Downtown north of Harbour Street.
2. A dynamic new convention and tourist oriented waterfront.
3. A revitalized housing area east of Downtown.
4. Jobs in renewed industrial and business buildings throughout Downtown.

USAID funding has played a major and irreplaceable role in KRC's success, providing the risk capital so essential to making

investments in properties which had become liabilities to the economic prosperity of downtown Kingston. It is essential that KRC be supported in the near term to complete the work now underway.

Five years after the formation of KRC the private sector has demonstrated a level of interest in downtown development not previously evident.

1. King Street seems to be enjoying a rebirth as downtown's premier shopping street.
2. Burger King's entry into downtown joins several other rehabilitated stores.
3. The occupancy of available office space seems to warrant an evaluation of whether new office development is feasible.
4. Land assembly is rumored to be taking place as downtown property interests and developers pursue larger, future development tracts.

Meanwhile, an assessment of downtown Kingston's assets and liabilities demonstrates that the balance is tipping in favor of continuing to promote reinvestment in strategic locations:

Downtown Assets

Location central to Jamaica
Public Transit access
On The Waterfront
Nation's Capital City
Center of Courts and Legal Offices
Compact Pedestrian Environment
Convention Center
Historic Buildings and Heritage
Cultural Amenities (Art Museum and
Ward Theatre)
Proximity to Airport
Proximity to Area Points of Interest

Downtown Liabilities

Security
Higglers
Parking
Street Cleanliness
Decrepit Buildings
Homeless
Water Pollution
Sewer Capacity
Deferred Maintenance
Road Access from Airport

II. THE NEXT FIVE YEARS

A continuing program of revitalization for downtown Kingston might direct itself to building on its assets and remedying its liabilities. Clearly the job of revitalizing downtown is not solely KRC's, but KRC can play a vital role in:

1. Organizing an agenda for comprehensive revitalization (short term and long term).
2. Formulating effective partnerships for action with government, other non-profit and development interests.

3. Providing risk capital to invest in refurbishing, land banking, community development and pre-development planning.
4. Providing staff support and leadership for management and maintenance efforts.
5. Promoting Downtown through an organized public relations effort.

The principal goals of a revitalization effort, given the experience of U.S. cities which have encountered similar issues, may include:

1. Clustering the downtown functional elements in the tightest configuration to assure pedestrian access to all points of interest within the central business district is practical.
2. Positioning development components in proximity to one another to assure that they are mutually reinforcing (e.g., new hotels must be close to the convention center; legal offices must be close to the courts; tourists facilities should be close to the theatre).
3. Assuring that the unique historical character of Kingston's architecture is respected and preserved whenever possible; and that new development adopts the Jamaican style.
4. Developing projects which extend the use of downtown beyond the business day (e.g., restaurants and night clubs open evenings; cultural institutions open to weekends.)
5. Providing for new and rehabilitated housing, integrated with business development whenever possible.
6. Making appropriate use of downtown Kingston's harbour, and using the water route for access to other destinations in Jamaica.

All of the above will take organization and planning and an extraordinary level of cooperation among public and private interests. To date, funding of KRC's investments has been provided primarily by USAID. The successful investment of those funds is evident in a review of KRC projects already completed.

The question at hand is whether the next five years and beyond will find the private investment sector willing to step forward to move the investment level ahead from the rehabilitation of individual buildings to major capital investments in new office structures, housing and major mixed-use projects of national significance.

Meanwhile, it is important to note that common sense, as well as a review of interviews with key public and private sector representatives indicate strong support for KRC "continuing to do what it has been doing". Those efforts must include:

1. Continuing support for community service institutions.

2. Organizing downtown businesses for restoration, promotion, arrangement and maintenance purposes and providing staff direction and leadership.
3. Investing in building restorations.
4. Encouraging job creation.
5. Being a catalyst for private investment in Downtown.

A new role for KRC is emerging, and could be the focus of activity, in part, for the next few years. KRC had been a pioneer ...a risk taker...an organization which demonstrated that the purchase, leasing and resale of downtown buildings could be profitable. It is rumored that the local investment community is assembling Downtown land. KRC's most valuable role may be to create an agenda today for development of housing and harbourfront mixed-use projects that will be undertaken over the next two decades as the marketplace improves.

This process of "visioning" the future appearance of Downtown Kingston will require some effort. KRC's role should include the preparation of a comprehensive master plan for the entire KRC district, bringing together the plans completed by UDC, the Town and Country Planning Board and others, and prepare a vision of downtown Kingston in the 21st Century. The use of the Harbourfront, the redevelopment of the west side housing area and the continued expansion and rehabilitation of the shopping district can all be carefully articulated under a master plan.

Later, it could be KRC's task to identify which of the master plan projects identified would be most important to the future of downtown and which would not likely be undertaken in the near term by the conventional marketplace. It would be those projects that should receive KRC's attention and the investment of risk capital to more fully describe those projects and the method of carrying them out. It is possible that some of those "visionary" projects could proceed, and if so, KRC could recapture its investment in planning and brokering those efforts.

For example: KRC's next major level of involvement could be to prepare a detailed plan for the Downtown waterfront, south of Harbour Street and from the Breezy Castle site to the Crafts Market (and possibly beyond). Here can be found a collection of functions and facilities which reinforce downtown's function as the physical, historic and emotional heart of the nation:

1. The National Gallery
1. The Convention Center
3. The Wray and Nephew Complex
4. The Oceana Hotel
5. UDC Retail

III. THE CONVENTION CENTER AND TOURISM

The experience of many United States cities which pursued convention and tourism as a primary economic development goal is that the convention and hotel facilities alone are not sufficient reason for visitors to come downtown.

Convention delegates and tourists desire:

1. Clusters of restaurants and nightclubs.
2. Cultural opportunities such as museums and performing arts centers
3. Interesting shops representative of the community
4. Attractive and safe streets, and
5. Sports activities for recreation time.

The categories of projects for consideration for the Downtown Kingston waterfront planning effort may include:

1. STABILIZATION: Retain and Upgrade

- National Art Museum
- Convention Center
- Oceana Hotel
- UDC Retail
- Housing/Office Buildings

2. RESTORATION/REHABILITATION: Repair and Reuse

- Wray and Nephew Building and Appleton Square
- Tourist Board Building

3. NEW DEVELOPMENTS: Build

- "The Meeting Place" Victoria Pier & Market
- Myrtle Bank Hotel
- Urban Marketplace/Restaurants
- Convention/Resort Hotel
- Marina
- Housing
- Water Ferry
- Cultural Center (Performing and Visual Arts)
- Roads and Boulevards
- Kingston City Hall
- Parking

IV. COMPONENTS OF A WATERFRONT DEVELOPMENT PLAN

To describe the potential for a revitalized Harbourfront a detailed

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plan of potential development projects and their relationship is required. The components of the plan include:

1. Assess current condition and stability of existing buildings and functions south of Harbour Street:

- Cultural & Historic
- Retail/Restaurant
- Office
- Convention
- Infrastructure

2. Prepare analysis of buildable sites and actions necessary to present parcels in buildable condition for future development:

- Street Plan
- Utility and Infrastructure Plan
- View Corridor Plan
- Public Access Plan
- Subsoil Analysis
- Pollution Alleviation Measures

3. Select and agree upon new project types for inclusion in waterfront Plan:

- Public
- Private
- Etc.

4. Prepare a diagram of relationships between goals and functions to be proposed for downtown:

- Tourist Related
- Convention Related
- Housing Related
- Office/Business Related
- Recreation Related

5. Prepare a concept site plan and model for proposed development projects.

6. Prepare promotional and factual information for all projects, collectively and individually.

7. Prepare a marketing plan to pursue individual projects.

V. A CENTRAL THEME: DOWNTOWN KINGSTON - 1991-1995

Downtown Kingston is the traditional heart of Jamaica. The seat of government, the core of the Jamaican judicial system, for generations the deep water harbour for commerce and tourist, and for many the place of employment and residence...all of these characteristics recommend the revitalization and enhancement of the central area.

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The current state of downtown Kingston is the result of a fairly typical process of growth, development, use and eventual misuse of a great city's heart. A series of actions, well-intentioned to be sure, struck lethal blows to the economic and physical strength of downtown.

The removal of cruise ship docks and the ancillary tourist and commercial functions along the coastal front forever changed the physical form and the function of downtown.

The gradual development of "New Kingston" as the major office and hotel center of the city eroded the ability of downtown to hold and attract business investment...not unlike the pattern of disinvestment that occurred in most major and mid-size U.S. cities which saw downtown residents moving to the suburbs and downtown businesses moving to shopping centers after World War II. And, like U.S. cities, Kingston has challenged the pattern of disinvestment in downtown and rediscovered the reasons for downtown's original success:

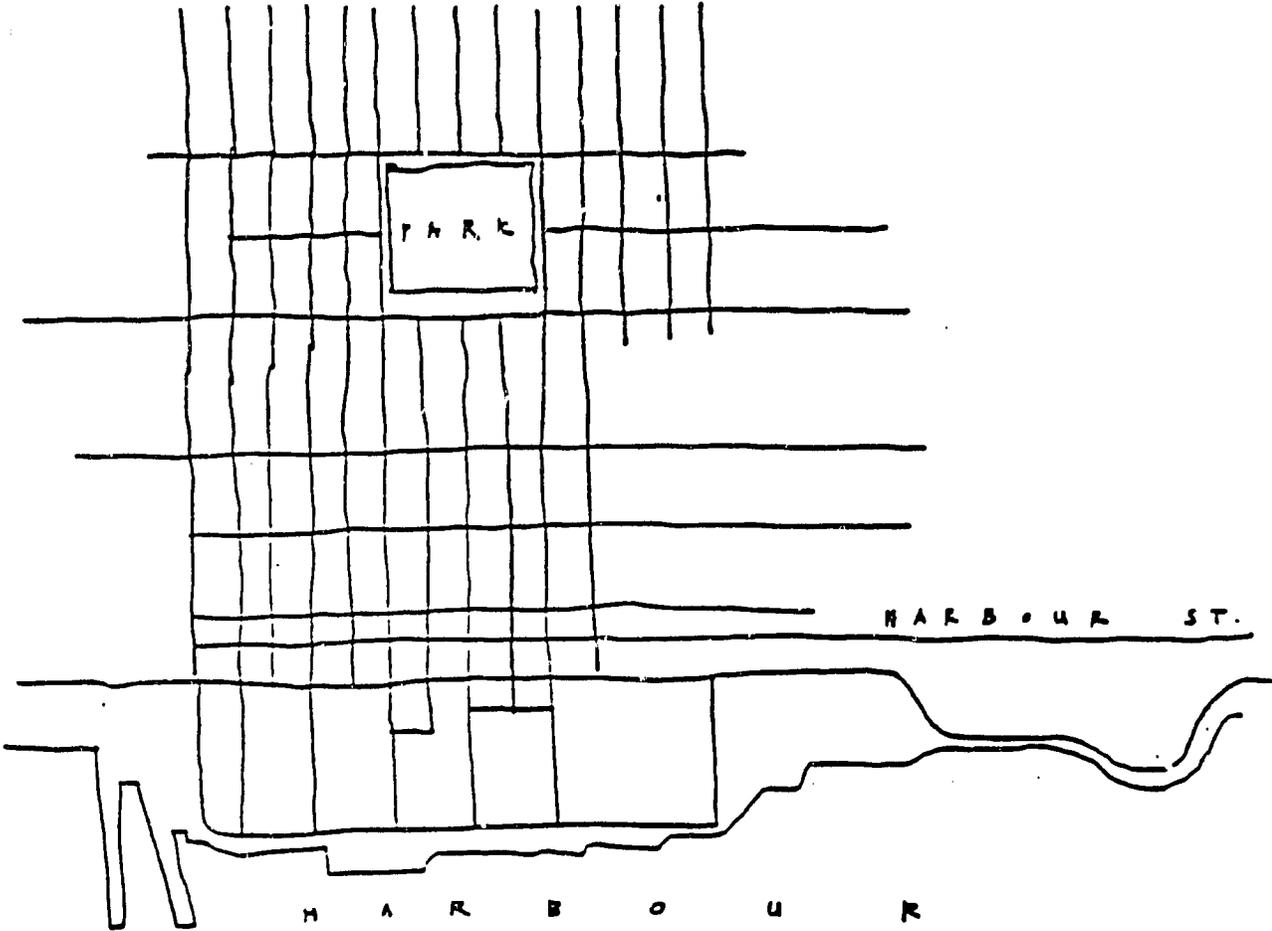
1. Its location on the bay and the beauty of its natural setting.
2. Its orderly grid pattern of roads and landmark parks and cultural facilities.
3. Its central location
4. Its traditional architecture and arcades.
5. Its mix of public and private buildings and functions.
6. Its function as the center of commerce.

The central theme of the revitalization agenda for the next several years must include:

1. Completion of the building restoration program
2. Retention of downtown cultural and historic amenities.
3. Resolution of security, cleanliness and infrastructure problems.
4. Restoring, rehabilitation and retenanting the UDC retail arcades and the Wray & Nephew buildings.
5. Restoring pedestrian and development access to the waterfront.
6. Conceptualizing a host of new projects in keeping with the downtown theme of a waterfront city.

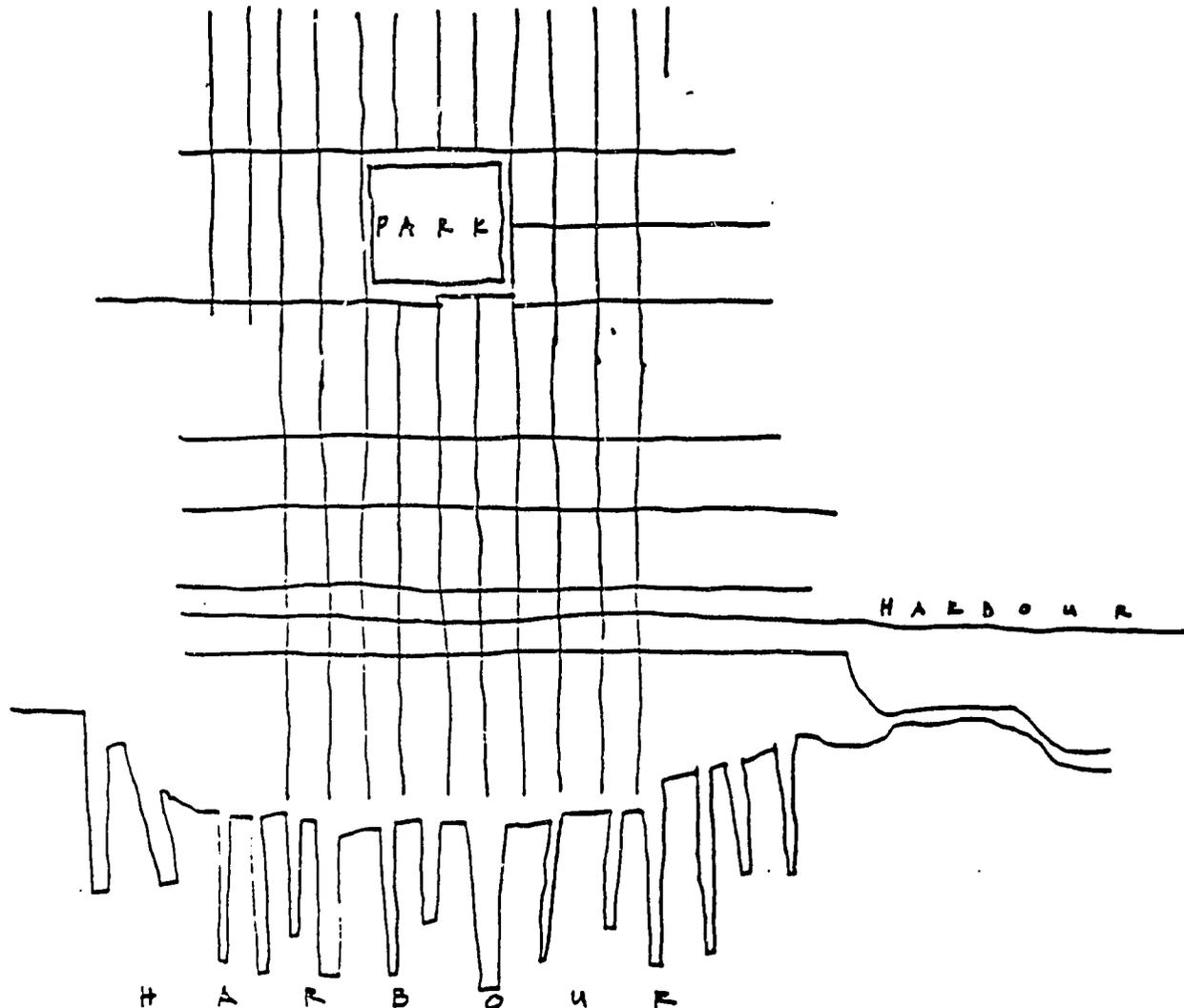
Today, the form of downtown Kingston is far different than it had historically developed.

The form today is



In words, a separation of the central city and its tourist and retail shopping from the harbour by major east-west streets and boulevards.

The form was:



The future development pattern of the area north of Harbour Street should continue the tradition of building restoration with selective demolition and new building construction whenever necessary.

The concentration of city and interurban bus lines in the proposed locations frees up land south of Harbour Street for redevelopment. The future major reinvestment in downtown, then, will likely occur south of Harbour Street east and west of the lively and diverse concentration of buildings at the foot of King Street. (This should not deter from the potential for new office buildings to occur in the traditional Downtown when market demand and development interest surfaces.)

From this evolving collection of new and old buildings comes the following agenda for action:

1. Convention Center
2. UDC Retail Rebuilt and Retenanted
3. Wray & Nephew Building Restoration
4. Bar Association Headquarters Restoration
5. Oceana Hotel
6. Quality Residential Development
7. Restaurants and Waterfront access
8. The National Art Gallery
9. Use of Bay for Cruise Ship Docking
10. A Series of Interlocking Public Pedestrial Spaces

The strategy for a revival of the Harbour Waterfront must begin with a general upgrading of all the buildings and public spaces within the district bounded by the Harbour, Harbour Street, Pechon Street and Breezy Castle. Immediate actions include:

1. Complete the restoration of historic buildings
2. Assure the retention (or nearby replacement) of the National Art Gallery and development of a Jamaican Cultural Center
3. Eliminate unnecessary and interruptive streets and create a strong pedestrian environment.
4. Prepare retail/restaurants tenanting plan for all ground level and second level spaces with a focus on Appleton Square and the UDC retail arcades.
5. Commit to a comprehensive security and management program.
6. Extend piers to encourage water access to downtown.
7. Develop water access to the airport and waterfront attractions nearby.

From the core of this district new development projects can then be conceived, financed and constructed.

1. To the west toward the Crafts Marketplace on the UDC site, a new mixed-use development project can be proposed. Project components might include:
 - A festival marketplace of shops, restaurants and public spaces representative of the Caribbean culture.
 - A second hotel related to the waterfront and the convention center.
 - Additional office and high-rise residential development.

- To the east on land south of Harbour Street on the UDC site, a new planned mixed-use community built around a resort hotel theme can be designed. A hotel with pools, tennis and racquet courts, restaurants and a health club can be the focus of a new residential community with limited access to hotel facilities. Office development can be integrated in the plan. A marina is essential.

In both cases, low buildings should be closest to the water; tall buildings closest to downtown retail and Harbour Street.

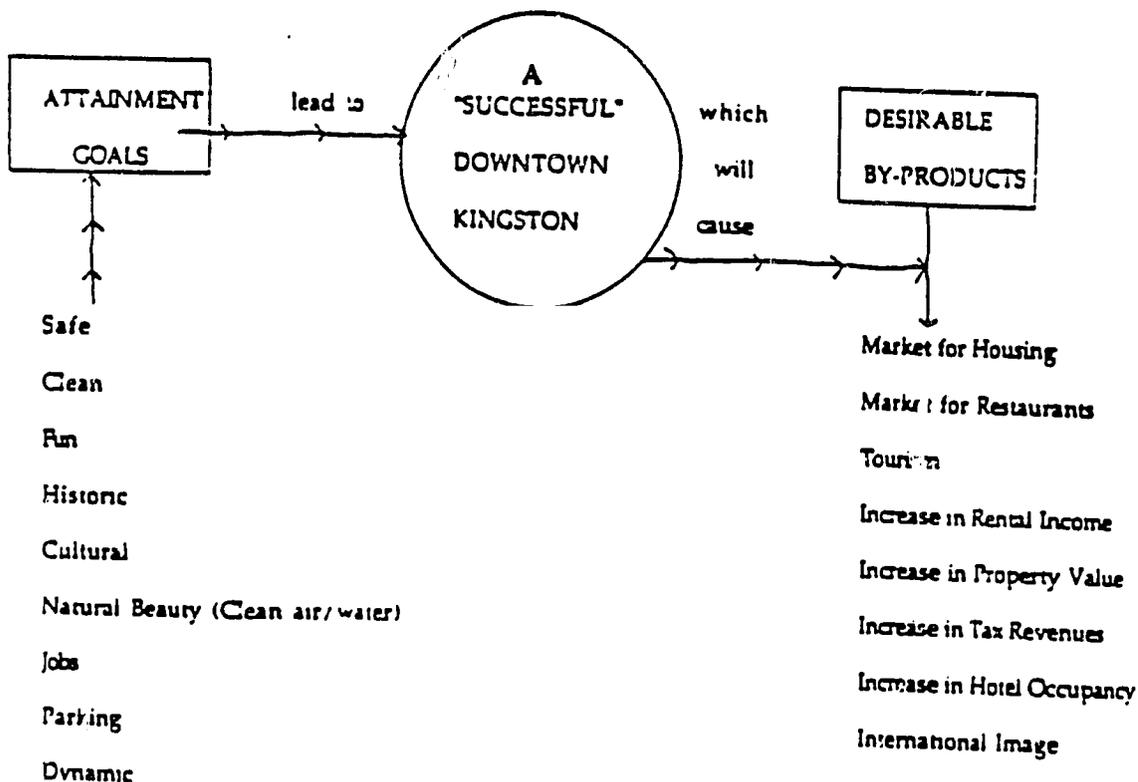
In both cases east-west vehicular traffic is directed to Harbour Street (widened and a boulevard past new development sites) as the waterfront streets are abandoned to allow uninterrupted pedestrian access to the waterfront.

The major office development of the past two decades has, for the most part, occurred in New Kingston. The growth and development of Jamaican office space will continue for the foreseeable future. Downtown Kingston must have a convincing plan and a setting conducive to development if it is to capture a share of the office development that will undoubtedly occur some place in Jamaica in the future.

Absent a plan and a conducive physical, economic and social atmosphere, new office and hotel development will occur elsewhere, driven by market and locational forces and the perceived lack of opportunity Downtown.

The central theme, if there is to be one, may focus on Downtown Kingston on the Harbour; A successful and diverse place for business, the arts and tourism.

The "successful" part will require attainment of a set of simple and reasonable goals which will generate a set of desirable by products. For example:





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DEVELOPMENT THEMES AND PERSPECTIVES INNER KINGSTON DEVELOPMENT PROJECT PHASE II

May, 1991
15 pages

prepared by: Robert Dubinsky,
Consultant

A joint partnership with A.I.D. and the Kingston public and private sector (KRC- Kingston Restoration Company) was formed in order to stimulate job opportunities and investment in downtown Kingston. Downtown Kingston became the focal point of drugs and violence, forcing many large employers to relocate. The Inner Kingston Development Project was divided into two phases and focused on a 100 square block district bounded by the Kingston Harbor. The report is divided into five different sections: Background Information on Phase I, The Next Five Years, The Convention Center and Tourism, Components of A Waterfront Development Plan and A Central Theme: Downtown Kingston.

The initial revitalization efforts in the Inner Kingston Development Project attacked the economic and physical erosion of downtown and focused on neighborhood improvement, landscaping, attracting new businesses back to Kingston and industrial, commercial and government building rehabilitation. From analyzing the assets and liabilities of the downtown revitalization project, the balance of the report was in favor of continuing to promote reinvestment in strategic locations. The Five Year Plan lists the vital role of the KRC, and its future redevelopment efforts. Also included is a detailed plan for the Downtown Waterfront including a museum, convention center, hotel and retail stores. By promoting the waterfront as the physical, historical and emotional heart of the nation, tourism should grow and the area should attract more cultural opportunities. The Components of the Waterfront Plan is a comprehensive description of the revival of the Harbor Waterfront by upgrading all of the buildings and public spaces within a designated location in Kingston.

RECEIVED
MAY 22 1991

May 20, 1991

To: George and Steve

From: Robert Dubinsky



Subject: Inner Kingston PP Supplement

I assume we all arrived back safely. I enjoyed working with you and I think we will have a good PP Supplement. Thanks for your assistance.

Attached is the current draft of the document and Steve's paper (I deleted the last two sections and incorporated the material in the text). There are still several sections to write that I will be working on this week. Martin wants to get the document finished ASAP so funds can be obligated in June. We would like to get your comments on your sections or anything else in the Supplement. You can either call me at home (202-244-6312) or send me marked up pages or both. Please let me have your comments this week if at all possible. Call me if you have any questions.

Since you left Morin had an encouraging talk with UDC and a committee has been established to look into various joint venture arrangements.

I would especially like comments from you that would strengthen the justification for why a phase II is necessary and what downtown will be like at the end of the project.

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LIST OF ACRONYMS

CBO	Community Based Organization
CDSS	Country Development Strategy Statement
EOPS	End of Project Status
GOJ	Government of Jamaica
IADB	Inter-American Development Bank
IQC	Indefinite Quantity Contract
KRC	Kingston Restoration Company
KSAC	Kingston and St. Andrew Corporation
LDC	Lesser Developed Countries
MPM	Metropolitan Parks and Markets
PACD	Project Assistance Completion Date
PID	Project Identification Document
PP	Project Paper
PP Supplement	Project Paper Supplement
RFP	Request for Proposal
RHUDO	Regional Housing and Urban Development Office
USAID	United States Agency for International Development
UDC	Urban Development Corporation

INNER KINGSTON DEVELOPMENT PROJECT (Phase II)
532-0120

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*Why support / why select
How can make sig
impact*

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II. PROJECT ANALYSES

- A. Evaluation of the Inner Kingston Development Project (Abt Associates, February 1989)
- B. Final Project Report (The Urban Institute, April 1991)
- C. KRC Annual Report FY1990/91
- D. Development Themes & Perspectives Report

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I. SUMMARY AND RECOMMENDATIONS

2
C. P. L. S.
1986

A. Summary:

B. Recommendations:

II. BACKGROUND, RATIONALE AND STRATEGY

A. Background and Perceived Problems:

This project continues and extends the Phase I Inner Kingston Development Project (Project No. 532-0120). It was launched in 1986 with two purposes: to ameliorate the high levels of unemployment existing among downtown Kingston residents (estimated at 70%) and to revitalize downtown Kingston as an industrial and commercial center. The strategy adopted was to restore derelict and abandoned buildings in the belief that: (1) the lack of suitable industrial and commercial space had become a bottleneck for both small and medium-sized Jamaican firms and for international firms desiring to locate in Jamaica, (2) production space could be provided at much lower costs through restoration than through new construction, and (3) there was potential demand for downtown locations so that once firmly underway, the restoration process could become self sustaining.

The key implementing organization in Phase I, the Kingston Restoration Company (KRC), was charged with the responsibility to rehabilitate vacant and abandoned commercial and industrial properties and make such space available to small businesses at market rates. Providing the space was expected to result in the expansion of these businesses and increases in their levels of employment.

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The principal KRC initiatives involved demonstrating by example that there was effective demand for good quality, competitively priced industrial and commercial space downtown and that landlords would improve their properties if incentives and technical assistance were made available to them. These efforts were intended to halt real estate market conditions which included low levels of demand for space, uneconomic rental rates of return, disinvestment, lack of interest in investing in properties downtown and the absence of long term financing. They were also designed to create jobs for the large cadre of unemployed residents of downtown.

From the beginning, KRC's industrial and commercial investment program was complemented by two other key program elements: a Community Development Program and a Restoration Grants Program. The Community Development Program provides social, health and job placement services, youth recreation and other services to inner city residents, as well as support for existing church and non-profit community activities in the area. The Restoration Grants Program makes grants to owners who restore properties on their own.

Another component of the Phase I Project provides USAID assistance to the Urban Development Corporation (UDC) to support the project's revitalization strategy by financing major infrastructure improvements downtown, principally the building of a new trunk sewer along Harbour Street and a new central bus transportation center in West Kingston.

B. Phase I Accomplishments:

Phase I has been generally successful, though construction of UDC's infrastructure improvements are far behind schedule. KRC production targets for commercial-industrial restoration and for Restoration Grants will be substantially met by the PACD, and will be exceeded by a considerable margin once program income is fully reinvested. KRC rehabilitated buildings have been 100% leased at market rental rates, demonstrating that there is a relatively strong market demand for downtown locations. Several thousand community residents have directly benefited from the array of health and community services that KRC provides.

Some parts of the Phase I program have succeeded well enough to stand on their own in the future without external existence. After encountering considerable resistance at the outset, KRC was able to raise equity capital from the Jamaican private sector to finance industrial-commercial rehabilitation. These projects

have proven to have good financial returns and have opened the door for more financing from the Jamaican private sector. In the future, KRC should be able to package investments for business use on its own, using program income and private sector capital.

Implementation of UDC project activities has been slow. The rural bus terminal component is nearly complete but the GOJ has not determined whether it will develop the urban bus terminal component. The construction of the Harbour Street sewer trunk is way behind schedule but under construction. Both AID and UDC agree that completing the sewer project is essential to the further revitalization of downtown.

However, as the mid-project evaluation emphasized (see Merrill, S., et al) Evaluation of the Inner Kingston Development Project, February 1989) no central city restoration effort in the United States or Europe has produced self-sustaining revitalization after only five years. It is recommended that the project be supported for at least a ten-year period.

Phase I demonstrated that individual investment projects can be profitable and has generated a new spirit of optimism about downtown's future. Inner Kingston, however, has not reached the point where it can sustain recovery on its own. The downtown landscape is still blighted by entire blocks of derelict and abandoned buildings. The city's most valuable resource - the waterfront - is still surrounded by lots that have been left vacant for 25 years. There is periodic resurgence of violence in parts of the downtown area. Unemployment rates, though improved, are still extremely high. There is virtually no night-time activity in the central city.

Inner Kingston now requires some anchor investments that will bring back cultural, recreational and general activity to the city. It needs to clear derelict sites that act as a depressant on re-development. And it needs to accelerate the participation of inner city residents in the economic revival.

It now appears that the number of permanent jobs created in Phase I will fall somewhat short of the original target of 2,500 by the PACD (September 29, 1991) (approximately 1,400 were created in KRC projects by December 1990). However, both the proportion of these jobs that represent net additions to the downtown labor force and the share of jobs filled by inner-city residents are higher than originally forecast. About two thirds of the new jobs were in manufacturing, an outcome consistent with the PP expectations. Follow-up surveys have found that employers regard the performance of the inner-city labor force at least as favourably as that of other workers, even though employers started with the perception that downtown workers would be much more difficult to manage.

The volume of private investment in Inner Kingston has exceeded Project forecasts. Between 1987-1990, J\$25.9 million (1985 dollars) has been invested by the private-sector apart from KRC's own developments. Since 1986 rents and property value have increased by an estimated 20-25% per year. An Urban Institute survey found that more than 375 new businesses were started in the downtown area over the past five years. Private investment continues to gather speed in 1991.

C. Phase II Project Rationale

Inner Kingston is at a "tip" point. It has made substantial economic progress in the last five years. However, without further external investment the restoration process is likely to slow down or grind to a halt. Another five-year commitment and additional funding is necessary to make the restoration process self-sustaining. At this point in time KRC finds itself in the position that it has succeeded in sparking the process of downtown revitalization but has not yet had the time or resources to assure the continuation and sustainability of these trends.

To be successful, project will require annual investment in real terms at least as large as occurred in Phase I. The Phase II design assumes that most of the investment commitment will be made by the Jamaican (or foreign) private sector. AID expenditure will be only one-third the annual level of Phase I. The incremental payoff to AID's investment should be large, as it will help ensure economic viability and returns to Phase I's investment projects as well as provide the basis for private sector investment in Phase II. The upgrading of downtown, particularly the area surrounding the courts, government offices and convention center should also enhance Jamaicans' conception of their capital and contribute indirectly but important to civic goals.

Phase II is designed to consolidate and extend the economic restoration begun in Phase I, to make the process genuinely self-sustaining. At the same time, it will seek to move beyond individual business projects to build new focal points of public activity.

Phase II is designed to accomplish four objectives:

- Help KRC finance large-scale critical investments that can revitalize civic uses of downtown and bring into economic use key resources, such as the waterfront and potential cultural centers.

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- Provide KRC with new development tools that it can use in its restoration efforts.
- Continue to expand KRC's Community Development Program, so that the benefits of downtown economic growth reach inner city residents.
- Support KRC as an organization so that it has the human and financial capacity to be self-sustaining by the end of the project.

KRC's investment priorities for Phase II are: (1) to bring Kingston's most valuable resource - the waterfront - into productive use, (2) to establish centers of cultural and civic - activity that can act as magnets in attracting people downtown, who in turn will be customers for retail and service activity, (3) to infill from the key anchor projects that KRC has built so that entire blocks are restored to productive use and (4) to clear derelict buildings and intersperse attractive open space in the downtown landscape. Exhibit ___ provides a consultant's perspectives on what KRC's future development agenda should be.

D. Orientation and Strategy of Phase II:

Although the goal and purpose of the project remain unchanged from Phase I, the sub-project strategy will be modified.

Phase I included a large public infrastructure component managed by the UDC. All new funding in Phase II will be channeled to the KRC for productive investment and re-development planning.

This shift reflects two important facts. First, the critical infrastructure needs of the area -- a new trunk sewer line and a new transport center -- will be met by Phase I projects. There are no further crucial bottlenecks in the infrastructure base. Second, UDC was a source of substantial delay, cost overruns, and poor planning in Phase I. This project will concentrate all new AID resources on the effective leader in downtown restoration, KRC.

Phase I emphasized the provision of factory space. Analysis indicated that the lack of factory space was a severe constraint on the country's manufacturing production and 807 exports. KRC's building program helped overcome this constraint. It added 163,000 sq. ft. of production space in downtown Kingston, which is operating at 100% occupancy. However, in the market as a

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whole, factory space is no longer a significant constraint. UDC over the same period added 1,000,000 square feet of factory space, much of it in the greater Kingston area. This space is currently 60% vacant. Vacancy rates also are substantial in the Free Trade Zone.

In Phase II, KRC will shift the mix of its activities to the commercial and service sectors, in support of central city revitalization. Job opportunities in these sectors will be targeted for inner-city residents. KRC does plan to make some additional light industrial investments, especially in the vicinity of the highest pockets of unemployment as market demand becomes better defined. As recommended by the mid-project evaluation, priority attention, however, will be given to larger projects and to the opportunities for developing the waterfront.

In Phase I, KRC invested principally in projects that it developed, built, and managed on its own. In Phase II, it will shift to a catalyst role, stimulating investment by others and packaging special projects. It will divest its direct ownership of properties. This transition already began in the latter part of Phase I. KRC's last two projects have involved setting up separate companies to own and manage the completed projects, which KRC develops on a "turnkey" basis. The companies finance all of the capital investment. In one case, sales in the property owning company are 100% owned by non-KRC private firms, in the other case, KRC is a 45% minority partner. This change of role for KRC is consistent with the recommendations of the mid-project evaluation.

This re-orientation of KRC's role is made possible by the much stronger market that now exists in Inner Kingston, and the willingness of the private sector to undertake investments there. Consistent with KRC's new mission, Phase II will give KRC a variety of new development tools it can employ.

Phase I was designed largely as a demonstration project of the feasibility of downtown renovation. It incorporated a basic plan of consolidating factory investment at the edges of the re-development area, then concentrating commercial re-development along the principal streets of the center (Harbour Street, King Street, and Duke Street). However, no long-term physical development plan was elaborated. In fact, a large planning exercise was resisted, until the nature of the market could better reveal itself.

Now, market demand is much stronger. Large, potential investors want to know the planned land uses of different sections of the city. Housing revitalization has to be addressed in a planned manner. Therefore, Phase II will contain a strategic planning component.

E. Relationship to USAID/Jamaica's Approved Strategy

Phase II of the Inner Kingston project has the same goals as Phase I and continues to promote job generation and economic development, privatization, strengthening of the private sector and establishment of a more cost competitive economic structure. Phase II is consistent with and supportive of current LAC Bureau and USAID/Jamaica FY1992/93 Action Plan goals and objectives.

The Inner Kingston project is a geographically focused initiative to promote economic growth and employment through investment by the private sector in commercial and industrial real estate and related infrastructure in association with UDC which is improving primary downtown infrastructure. (While UDC was a principal recipient of AID funding in Phase I, it will not receive financial assistance in Phase II). The provision of modern and efficient space by KRC facilitates business growth, particularly export oriented industries. KRC's efforts are directed both to eliminating constraints to and fostering a climate for increased private sector investment. Ultimately these efforts would result in a self-sustaining and growing private sector led economy and real estate market in the downtown area.

To create an environment for private investment Phase II funds will be used to eliminate constraints and support positive steps to promote and encourage investment. KRC will provide technical and other assistance and undertake joint ventures with other private investors to foster creation of new businesses and the expansion of existing businesses, particularly those owned by smaller investors. These efforts will strengthen the capacity of the private sector to stimulate economic growth and to improve business efficiency. Working with the Urban Development Corporation (UDC), KRC will seek to put publicly owned land and under utilized buildings into productive use. The project will play an important role in meeting Mission Action Plan Objective 2, Increase and Diversify Private Sector Investments. That objective in turn will facilitate two principal longer term goals-expansion of the job generation and economic benefits that result from increased tourism and from increased exports.

There is a growing recognition of the potential of Kingston as a Caribbean tourist destination. Kingston is the capital city. It has a number of attractions and historically important sites such as Port Royal and the National Gallery. It has a handsome and modern (but under-utilized) convention center. Because of its harbour it could become a cruise ship destination if adequate docking facilities, tourist oriented retail shopping and security arrangements were in place. Improving the physical condition of downtown and coping with such economic and social problems as security, the undisciplined informal vending and the unemployment of residents through KRC's efforts would set the stage for the development of tourism in Kingston. By the PACD Kingston would be in a position to regain some of the importance it used to enjoy as a tourist destination. Many of the jobs that would be generated by tourism would be in the service sector and would be accessible to the unemployed residents of downtown.

KRC's efforts to modernize and expand the availability of factory and office space also facilitates the expansion of industrial and commercial jobs and businesses. KRC developments respond to the demand for low cost, relatively small but modern production space and improve the climate for private sector investments. Much of the space KRC has made available in Phase I has been leased by 807 firms and other export oriented businesses.

Because of the multi-faceted nature of KRC's redevelopment strategy, its projects and activities help to achieve other Mission strategic objectives. It's Community Development program helps to achieve Objectives 4, Growth of Small Entrepreneurs; 5, Improve the Quality of Health Programs 6; Improve the Effectiveness of Education Programs and 10. Support U.S. Drug Prevention Efforts. In many different ways KRC supports CBO's in Inner Kingston and has organized and encouraged a broad based participatory process in planning and carrying out programs of community improvement (Objective 9). Exports and domestic production (Objective 1) are promoted by the Inner Kingston project. Downtown's low rents, good transportation and access to labor and good facilities make it an attractive location for newly-formed or expanding small businesses. Many of these smaller businesses are export oriented.

F. Relationship to Other GOJ and Donor Activities:

The Government of Jamaica's (GOJ's) development strategy, as articulated in the Jamaica National Five-Year Plan: 1990 to 1995, assigns priority to increasing manufacturing production, raising export earnings, and expanding small-scale enterprises. Inner Kingston is a critical location for realizing these objectives. In the past, it was the nation's principal incubator for small and medium-sized businesses. It has infrastructure (road, water, sewer and telecommunications systems), location (near the country's principal air and commercial sea ports as well as Jamaica's largest domestic market), and a labor force that should give it a competitive edge in goods and service production. However, during the 1970s and early 1980s, Inner Kingston deteriorated to the point that large numbers of factories were abandoned. The area experienced the highest rate of unemployment in urban Jamaica, while manufacturing and business services were replaced by informal street retailing. Very large GOJ investments, like the Convention Centre, have been severely underutilized because of the unattractiveness of the surrounding area.

The GOJ is committed, as the Prime Minister has declared, to reviving Inner Kingston as an economic center. In Phase I, the Inner Kingston Development Project has led to more than J\$50 million of private investment in the downtown area, most of it in the manufacturing sector and much of it in support of export production, especially in the electronic assembly, apparel and food packaging industries. Since the start of Phase I, employment in the central core has increased significantly faster than employment for the country as a whole. Most of the growth has occurred in small and medium sized firms.

As a result of its success, KRC one of the two Phase I implementing agencies, has been recognized by Government as the principal agent for restoring economic activity to the downtown area. The GOJ recently granted tax-exempt status to KRC in recognition of its role in supporting national development objectives. The GOJ is currently considering authorizing KRC to issue up to J\$10 million tax-exempt bonds for downtown redevelopment.

III. PROJECT DESCRIPTION

A. Project Goal and Purpose:

The goal and purpose of the Phase II Inner Kingston Development Project remain unchanged from Phase I. The goal is to contribute to Jamaica's needs for increased investment and employment opportunities. Consistent with this goal, the overall 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.

B. End of Project Status and Outputs

1. End of Project Status:

The major projects that would be developed in Phase II plus the continued impacts of the Restoration Grants and Community Development programs would be expected to further strengthen the economy of downtown and establish real estate market and investment conditions where demand for space and property were active, values were rising, investment and overall economic activity and employment were increasing. As a result of KRC funded efforts, many residents would have improved their job skills and gain better access to various social, educational and health services. At the end of Phase II (ie 10 years after the beginning of the Inner Kingston Project) the major disincentives to private investment would have been eliminated or mitigated and healthy market conditions would have been reestablished downtown.

This expectation of the conditions downtown in 1996 is not intended to suggest that downtown would have been redeveloped by the PACD or that all major constraints would have been eliminated. Rather 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.

By the PACD, the private sector would no longer need KRC's financial or technical assistance in development. KRC would be a smaller organization with a smaller asset base. It would own little real estate. It should still be in a position to play an influential role but its mandate would shift again.

Its mission would have changed once again. It's energies would be refocused on downtown planning, coordination and promotion-type activities.

2. Outputs:

The planned Project outputs for factory and commercial space production are easily quantifiable, and have been agreed to by USAID and KRC (See Attachment 1, LOGFRAME). Namely:

- o 3 major strategic projects under construction or completed
- o 100,000 square feet of cleared land
- o 100,000 square feet of publicly owned property/land under development
- o 50,000 square feet of industrial space refurbished*
- o 150,000 square feet of refurbished commercial space*
- o 700 new jobs created in KRC-assisted space

*Not directly financed by Phase II, but supported by Phase II activities

Development outputs are more difficult to quantify but illustrative indicators and output goals are:

Output

Rekindling of private investment and economic demand in Kingston

Measure & Target

1. Private investment exclusive of project-sponsored activity should be at least four times KRC's investment.
2. Land Prices and business rental rates should increase significantly.
3. Occupancy rates in Oceana Hotel and Convention Centre should rise.

Output

Measure & Target

Community Involvement in
Redevelopment/Public
Perception of Downtown

4. Building Vacancy
Levels should
decrease

- a. Area unemployment rates should fall
- b. Local crime rates should fall
- c. Levels of education attainment should increase
- d. Possible public poll of attitudes toward downtown should show improved public perceptions.

Achievement of these outputs depends upon improving the general environment of downtown and KRC's success in attracting substantial investments from private sector investors. KRC's efforts will be concentrated on securing private sector investment in a number of large multi-use projects which will have a significant impact on the downtown. Based on the Phase I record, Phase II activities should support the creation of at least 700 additional permanent jobs in downtown. KRC's Community Development Program is designed to steer an even higher proportion of these jobs to inner city residents.

By the end of the project, KRC should be a self-financing and self-sustaining though smaller organization. Progress has already been made in this direction. USAID grants for operating expenditures ended in July 1990; no AID funding of KRC operations is contemplated under Phase II. During the first 11 months of fiscal year 1990 KRC was able to raise its development fee income from zero in the previous year to J\$536,000. However, KRC is heavily dependent on program income from Phase I investments to help pay operating costs.

The Project also calls for divestment of key publicly-owned lands, or joint private-public development of those parcels. One of the most important achievements of Phase I was the transfer of three critical abandoned or underutilized parcels from public agencies to KRC under 49-year leases at

"peppercorn" rates. KRC in turn sub-leased two of these parcels to a consortium of private investors which it formed to finance rehabilitation. This project is completed and fully rented. KRC is restoring the third in collaboration with the Bar Association of Jamaica as a legal center. During Phase II, this record of success will be built on to develop other abandoned or underutilized properties now in public ownership, including crucial waterfront properties. For some of these parcels, joint development with public agencies may be more practicable than transfer to KRC.

Finally, Phase II will also strengthen and consolidate KRC's Community Development Program. It will continue the most important services - such as sports and youth programs and a health clinic - while shifting program emphasis to job creation and entrepreneurial development. It also will expand a scholarship program for inner-city youths. At the end of Phase II, the Community Development Program should have generated independent sources of financing from the Jamaican private sector.

C. Project Activities: Kingston Restoration Company

1. Overview and Strategy

While Project activities in Phase II will build on the accomplishments of and have the same goals as Phase I, KRC will adjust its revitalization strategy and some of its activities to reflect 1991 Inner Kingston market conditions and investment opportunities. In the future KRC's principal strategy will shift from one of purchasing, rehabilitating and owning underutilized industrial and commercial properties to one of promoting and catalyzing private sector revitalization and investment activities. At the same time because much of the effective demand for industrial space has been met by KRC (and the UDC), KRC will direct a greater proportion of its energies and resources to commercial development. The demand for office space in rehabilitated structures appears particularly strong and potentially profitable.

KRC in Phase II will deemphasize its role as a developer-investor because it is no longer necessary to prove that profitable investments can, in fact, be developed in Inner Kingston. That objective has been accomplished. Moreover, KRC will limit equity investments in real estate projects to special situations since it is now apparent that, because market conditions have improved, private investment capital is beginning to be directed downtown.

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Special attention will be given to developing a few large scale strategic projects which because of their scale and location would demonstrably affect surrounding real estate investment potential and general perceptions of the investment environment downtown. At the same time, KRC will be completing several important commercial projects (ie Public Buildings West and the Tourist Board Building) and street improvements along Duke Street and KRC and non-KRC funded property owners will be completing the rehabilitation of their buildings.

2. Changes in Project Activities

Phase II project activities reinforce and expand previous revitalization initiatives, but at the same time reflect a change in strategy and the types of activities that are supported by AID. Program Operations and Outreach will no longer be funded by the AID grant. KRC will fund these activities from program income, income from the investment of non AID funds and earned income. The Restoration Grant

program will not be funded in Phase II. The program will be continued, however, and funded from program income from the Phase I grant as required by the Cooperative Agreement (The Agreement requires that ten percent of net program income must be used for Restoration Grants). The purposes of the Restoration Grants program will be broadened to enable KRC to demolish strategic vacant and derelict shells and improve the vacant sites until development occurs. In Phase I KRC operated separate industrial and commercial program components. In recognition of increased demand for commercial space and lessening in demand for factory space and the large scale, multi-use character of the projects that KRC will be involved in during Phase II, the principal program element in Phase II will be a Strategic Investment program. That program will finance costs associated with packaging projects for private investment including: feasibility studies, land assembly, architectural concepts, and in selected cases equity participations. An important new activity for KRC will be the preparation of an overall downtown plan to integrate and synthesize current area - focused planning. Phase II will retain a Technical Assistance and Training program component to support and improve KRC staff skills and enable AID to monitor implementation of the project.

3. Project Activities:

a. Strategic Investment Program

This program will support KRC's role as a development catalyst and will finance the broad range of activities required to plan and initiate large scale, multi-use projects. These projects will vary widely in scale and character and in how ownership and financing are structured but each would be largely privately financed, strategically located and expected to contribute significantly to the attainment of KRC's goals. KRC's role in each project would depend on the circumstances but the types of activities KRC might invest in would include: pre-feasibility and feasibility studies, preliminary architectural design work, property options, land assemblage, provision of essential infrastructure, construction financing, mortgage brokerage, provision of gap-filling equity participation and raising of equity capital from private investors.

Whenever possible KRC will expect to be repaid for advancing funds, charge fees for its services or expect to earn a profit on its investments; in some cases KRC will provide developmental grants to trigger private investment. As in the past KRC and AID will work collaboratively to structure and plan these projects.

In implementing Phase II KRC will take advantage of targets of opportunity as they arise. It is not possible at this time to specify the projects that will be assisted in the second phase until further feasibility analyses and negotiations are completed. Nevertheless below are sketched out illustrative projects which appear to meet KRC's developmental criteria.

1. South Camp/Harbour Street Development. This area, which until recently was largely abandoned and filled with burned out vacant structures, has possibilities for upgrading through the rehabilitation of factory shells and construction of some new industrial and commercial facilities. KRC sold land and buildings it assembled to a major corporation for redevelopment. The purchasing firm has completed rehabilitation of

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an office structure and nearby parking lot and is in the process of acquiring more property to redevelop from KRC. In part as a consequence of the purchases the corporation has decided to spend \$J 8 million upgrading its headquarters building. KRC is working with another property owner, the ice company, to fix up its poorly maintained building and exterior facade. There appears to be investor interest in developing new low-rise office or light industrial space in the area. Private investment on the order of \$J 15-25 million in the near future appears possible.

2. Wray and Nephew Project Area. KRC has been working for some time with Wray and Nephew, the owner of an architecturally significant vacant warehouse and adjacent structures near to the center of downtown, to design a plan to redevelop the company's properties, an adjoining public square and a UDC-owned public garage. Possible uses include a sugar museum, an entertainment and restaurant complex and a retail arcade. These properties are particularly attractive from a redevelopment perspective because they are located close to the Convention Center and Oceana Hotel. They also have the potential of creating jobs for downtown residents in the service sector. Recently, another private investor began assembling properties nearby and is prepared, with some level of KRC assistance, to rehabilitate a block face of buildings. This project could result in an investment of \$J 25-30 million.

3. Myrtle Bank Site. UDC owns the vacant site of the former Myrtle Bank Hotel. It is a prime site for a new large multi-use office/retail/resort development. Such a complex could change the whole character of the waterfront and create the opportunity to attract tourists. It is located near the Convention center and the waterfront. Such a development would generate a large number of new service jobs-restaurant and hotel workers, security guards- that could be made available to downtown residents. Development of the site might involve KRC, UDC and large Jamaican property investors. Such a project could cost in the range of \$J 100-200 million.

4. Corridor and Infrastructure Upgrading and Restoration Grants.

KRC has successfully carried out upgrading programs along King and Duke Streets. KRC designed and managed the implementation of the construction work. Property owners shared the costs of the upgrading and facade improvements with KRC. KRC plans to expand this type of revitalization activity to other important streets such as Orange and Princess Streets. Public and private investment in these street improvement programs might total \$J 3-5 million during Phase II.

5. Government Rum Stores

The Ministry of Agriculture owns a large complex of five deteriorating warehouses on Marcus Garvey Boulevard in West Kingston, near to the western boundary of the Inner Kingston project. Three of the buildings are rented and two are vacant. The complex contains more than 200,000 square feet of industrial and warehouse space. KRC is negotiating with the Ministry to lease the space for 49 years from the Ministry and rehabilitate the property. KRC rehabilitation efforts would not only generate jobs and increase the supply of modern space but also would visually improve one of the main entrance corridors to downtown. The cost of this project would be \$J 5-10 million.

6. Tower Street Corridor

Tower Street between East Street and South Camp Road provides the opportunity to develop a much needed diversified commercial strip of essential retail and other services to local residents. Many of the buildings are abandoned and derelict. Such a development would improve services for the residents, create small business opportunities and further downtown revitalization objectives. KRC could provide various assistance including Restoration Grants, real estate and packaging services and equity capital. The scale of this project might be \$J 5-10 million.

b. Community Development Program and Residential Revitalization Strategy

1. Community Development Program:

During Phase I, the Community Development Component succeeded in providing valued services to inner-city residents and in winning support for the overall

restoration process. At the outset, the community expressed a good deal of cynicism about revitalization, regarding it as an effort that would benefit business but not the community. The dominant position in the community was that promises had been made by politicians and government agencies on numerous occasions, but very little had been delivered.

Phase II will continue and expand the Community Development Program, while re-orienting it to some degree. The Phase I strategy of working through existing community based organizations will be continued but will not be the major emphasis of the Phase II program.

Assessment of Phase I Activities:

During the four-year period (1986-1990) the Community Development Program invested approximately J\$1.4M in the following categories:

Training and Employment	J\$370,000
Health Clinic	J\$300,000
Shelter for Indigent	J\$162,000
Drug Abuse Prevention & Treatment	J\$170,000
Sports & Recreation (incl. Park)	J\$338,000
Cultural Activities	J\$ 77,000

Of this amount about half of the total was in the form of grants to CBO's to strengthen their programs and the remainder was expended directly by KRC on activities managed and operated by the company. It should be remembered also that KRC managed a successful J\$2M Hurricane Relief emergency relief program with funds donated by USAID.

In evaluating the success of KRC's investments, the following are the major achievements.

- 1) The paramount achievement has been the unquantifiable perception of KRC by community residents and leadership. A special trust and credibility has developed. KRC is viewed as responsible in meeting its commitments, concerned about the well-being of the community and strictly non-partisan in its relationships and funding.
- 2) KRC's grants to CBOs have strengthened the institutional capacity of these organizations, upgraded their facilities and improved service delivery of their programs. They are loyal and reliable partners with KRC available to take on new initiatives as circumstances warrant.

- 3) Quality and accessible health care has been provided to the community with a strong emphasis on preventative care. During the first two years of operations of the Health Clinic a total of 53,334 visits were recorded and revenue recipient from fees amounted to J\$68,000.00.
- 4) Four hundred jobs have been created for area residents in KRC leased operations and KRC construction activities. KRC's skills bank and placement service has facilitated the hiring process.
- 5) KRC's shift of emphasis to a more direct involvement in the operations of programs started in Phase I and was the result of a recognition that service voids existed downtown and that CBOs did not have the capacity or delivery mechanisms to fill them.

Phase II Activities:

Based on the experience of the Community Development Program in Phase I, KRC has identified five priority areas in which Phase II funds can most strongly benefit the community's development. These have been selected based on two principal criteria: 1) community need and (2) facilitating skills development and access to employment.

1. Skills Training and Leadership Development

With approximately 60% unemployment in the area and the majority of these employed in low skilled, low paying jobs, meaningful improvement in their standard of living will be difficult unless their skills and leadership abilities are significantly upgraded. The following projects will be undertaken to improve the skill training and leadership potential.

- a) Youth Educational Support System (YESS): YESS will be the major vehicle for leadership development. This scholastic program for high school students operates to develop the total individual and carefully monitor attitudes as well as scholastic progress. At present, there are 64 youngsters receiving assistance and the success of the program exceeded all expectations. The number of recipients will increase to about 125 over the next four years and level off at that number.
- b) Other Training Programs: Other training programs will be used by KRC to structure jobs and skill training based on market conditions and community needs.

2. Small Business Development:

KRC plans to contract with the Menonite Economic Development Agency (MEDA) to operate a mini-enterprise development program in the area. This organization has been operating this kind of program in communities similar to KRC's with remarkable success. It is projected that the program will finance about 70 small businesses, mostly in the informal sector, over a two-year period. The program should become self-financed from loan repayments so no further capitalization will be required beyond the second year.

3. Social Services:

KRC operates a health clinic providing health care to community residents with a strong emphasis on preventative and primary care. KRC believes this program is particularly important to establishing rapport with residents. To the extent possible, patients are asked to pay for the services provided. Efforts to have the GOJ or private sources support the project have not proved successful, though KRC intends to make every effort to raise funds from non-KRC sources.

4. Youth and Community Recreation:

KRC placed a major emphasis on recreational activities for the youth of the community and expects to continue to do so with more programs in Phase II. Football and netball teams and operation of the one-month summer camp for 100 eight to fourteen year olds will be financed by KRC. The value of programs like these is priceless to the children and provide excellent public relations exposure for KRC. Other programs to be supported in Phase II are as follows:

- a) Breezy Castle Sports Complex: A group of downtown business leaders is discussing with KRC the development of this sports complex. KRC is attempting to secure 75% of the capital cost and 100% of the operational cost from the businesses and expects \$325,000 for capital improvements to come from the Phase II budget.
- b) Community Teen Center: KRC recently received approval of a J\$250,000 grant from the US Embassy Narcotics Unit to renovate and equip a building for use as a Teen Center. This will make possible the operation of a variety of other recreational and educational programs and provide a home for the YESS program and other training activities.

5. Community Based Organizations:

KRC proposes to continue working closely with various CBOs during the Phase II period and provide support their programs. These funds will be allocated to the CBOs based on proposals to finance education, employment generation and recreation programs.

b. Residential Revitalization Strategy

2. Strategy Rationale:

Although the Community Development Program as suggested above is expected to produce future leaders among the young, provide some health care, improve work skills, and establish small informal type businesses, the structural problems in the residential area in the Eastern part of the project area are so severe that a major are-wide revitalization strategy should be prepared as soon as possible and aggressively implemented.

Preliminary survey material suggests that close to 85% of the buildings in the area is abandoned or in derelict conditions but such structures represent the only shelter for most of the 6,000 people who live in the community. There is no manufacturing as a source of employment and what few retail services exist are mainly bars and auto repairs. Extreme poverty, unemployment in excess of 70%, low or non-existent skills, high levels of political rivalry and tension, and wide-spread drug abuse make up this distressed neighborhood. Such distress factors are so compelling that Phase II programs must address them in a comprehensive and dramatic manner.

Interviews with business and community leaders have made clear that unless something is done to ameliorate this situation, people will not move downtown to live and crime, real and perceived, will continue to hamper commercial and office development in the business and service sections of the downtown.

Funds are included in the Phase II Technical Assistance budget for KRC to define the scope of work involved in this strategy, closely monitor the consultants work and complete the strategy during the first year of the Phase II five-year period.

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Components of Strategy:

A comprehensive revitalization strategy for East Kingston would include the following five components:

- A. Housing Upgrading: It is estimated that about 150 houses are owner-occupied in this area. They are of marginal quality but sufficiently sound to make possible both structural and cosmetic improvements. Another 50-60 homes, in similar conditions, are rented. The remaining 800 to 1,000 buildings are at best ruins but nevertheless used as shelter on a makeshift manner by the majority of the people in that area. The strategy should examine a variety of upgrading approaches, determine by the willingness of the owners to work cooperatively with other owners, do work by themselves or have work done on a contract basis, etc. All possible financial arrangements that can make upgrading feasible should be explored.
- B. New Housing Construction: In areas close to the Southern border of the community where large parcels are in ruins, consideration should be given to new housing schemes on a phased basis. As per AID and KRC's understanding funds for housing projects will come from non-AID funding sources. Housing should be built in small increments to minimize the relocation problems and make possible arrangements to give the people relocated the first opportunity to benefit from the new houses. This will necessitate the involvement of special National Housing Trust financing programs and possibly deeper subsidies from Non-AID sources.
- C. Tower Street Commercial Development:
- As with any residential area, this neighborhood needs a well designed diversified commercial strip to provide essential retail and other services to local residents. Such services do not exist in this area except for a few bars and repair shops along Tower Street. The abandoned and derelict buildings along this street suggest that Tower Street was a significant shopping corridor at one time. It has the potential to play that development role again and the strategy should define how best this can be accomplished.
- D. Job Training:
- Several sites are available in the area to develop light industrial space such as the Fleet Street site and small space in existing abandoned buildings. Developing these sites for labor intensive industries can create hundreds of jobs for local residents. Permanent jobs make financing possible for upgrading homes or new home purchases.
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E. Recreational Development:

KRC sponsored sports and recreation projects provided structured outlets for youth and they will be continued in Phase II. Recreational facilities of size are now outside the residential area. The revitalization strategy should provide for the development of recreation sites in the residential area and at least one site should be large enough to accommodate sporting activities and support facilities such as dressing rooms, bathrooms and the like.

4. Restoration Grants, Building Demolition and Open Space Program

a. Restoration Grants

The Restoration Grants program was designed as a part of Phase I to assist small property owners participate in the revitalization process. It provides grants, typically 20-25 % of the cost of the rehabilitation work, (up to a maximum of \$J 200,000) to property owners to fix up their building facades and exteriors. KRC has also experimented with paint up projects in which KRC and all the owners on a block face share the cost of painting and Restoration Grants are used in conjunction with street infrastructure upgrading investments projects.

The Restoration Grants program has been popular and has met its objectives. Program activity has been greater than anticipated in the PP and completed projects have dramatically improved downtown visually. KRC has made 43 Restoration Grants. KRC's investment of \$J 3 million will lead to an estimated ~~more~~ of investment by private property owners.

now then \$J 14 million

The Restoration Grants program will be continued in Phase II and will be funded from program income derived from Phase I funded investments. To increase the flexibility of this development tool, KRC may ask AID to modify some of the program rules and selection criteria so that it can be used for larger improvement projects.

b. Building Demolition and Open Space Program

With Phase II funds building demolition and open space elements will be added to the Restoration Grants Program so that KRC can undertake a broad range of improvement interventions and offer a range of incentives to deal with the variety of property conditions downtown. Funds for this program will come from Phase II.

During Phase I significant improvements were made in cleaning up the downtown and making it a more attractive place to work, shop, or just walk along many of the historic buildings and arcades. There remain, however, derelict buildings in the downtown that pose, not only a strong visual deterrent to redevelopment but a significant safety hazard.

During Phase I, KRC has been unable to deal satisfactorily with this bottleneck in the restoration process, principally because it did not have the legal authority to demolish unsafe structures and require the owners to reimburse the costs. This led to a series of discussions with the Kingston and St. Andrew Corporation (KSAC), the local government, which has such authority. A draft agreement between KRC and KSAC has been negotiated under which they jointly identify unsafe structures that are also visual blights to development and are located within the KRC downtown area boundary. This agreement is expected to be finalized in the fall of 1991. KRC would provide KSAC the funds to pay for the demolition, clear the site and fence it. The total cost then becomes a lien on the property and whatever funds are recovered by KSAC would go into a demolition fund to pay for further activity.

Also in Phase II KRC plans to work out voluntary agreements with owners and provide grants to finance part of the cost of removing the rubble on parcels that are unsightly, particularly where several sites can be cleared at one time, thereby making available large spaces for beautification and recreational programs. In voluntary situations, KRC will contract for the clearance work itself, and with the owner's permission, plant low-maintenance flowers and shrubs on the cleared sites. Or, if the sites to be cleared are so strategically located as to make them suitable for the development of a pocket park for recreational purposes, KRC will attempt to purchase the sites. As the owner of the land, KRC can justify expending the funds necessary to create the park. KRC plans to carry out this kind of program near churches or neighborhood organizations that can take responsibility for organizing recreational programs and maintaining the property. One such community park was built under Phase I.

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With the resources from Phase II it is estimated that 25-30 properties can be demolished and when appropriate landscaped or otherwise beautified.

Administratively, the program would be incorporated into an expanded Restoration Grants Program which would provide grants for building restoration, demolition, park development and beautification.

5. Overall Development Plan for Downtown
Overview:

Leading private sector investors have told KRC that the lack of an overall development plan for downtown is an important constraint to private investment. They argue that an overall plan would provide development guidelines and help them evaluate investment opportunities. Currently there are various groups involved in planning for parts of downtown but there is no regular coordination between them and no overall vision or set of overall policies for downtown. UDC developed the original plan for the waterfront but it is outdated and should be reviewed. UDC developed plans for West Kingston and is developing a plan for East Kingston. KRC has received funds from two building societies to begin planning for Central Kingston. The Town and Country Planning Department has been working on a new development order for Kingston. KRC developed a plan for the King and Harbour Street corridor.

Downtown planning efforts should be better coordinated so that they are consistent with and reinforce one another. Phase II funds will be used to prepare an overall general plan for downtown. Exactly how the plan would be prepared, what its content would be and who would be the planning agency haven't been worked out; however, it would be expected that KRC would sponsor the plan and form a committee of the relevant organizations to oversee its preparation.

Planning Options

The function of a KRC sponsored plan for the downtown core would be to tie together the plans spearheaded by UDC and the Town and Country Planning Authority and to contribute new ideas in a positive development setting.

Although there exists an unlimited number of options for developing a general plan for the KRC area and an action plan for the Kingston Harbour front, there are three avenues worth considering. Early in Phase II AID and KRC would determine which approach was most appropriate.

First, and most expensive, would be to retain an off-island physical planning development consulting firm. Assuming the program for the plan noted earlier, KRC could request proposals from a pre-selected list of consultants with extensive Downtown and waterfront design experience. The process is referred to as "RFP" or Request for Proposals and would specify the district for which a plan is required, the components of the plan and a price to do the plan. Typically a prime consultant would include all the necessary disciplines (design, engineering, economic analysis, development strategy and the like) and would tender a lump sum proposal plus expenses. The plan would likely be done in two steps with the more general Downtown plan done first and the Harbour front plan at a later date.

(For budgeting purposes such an endeavor might be assumed to cost US \$100-\$150,000 plus expenses and take 3 to 6 months to complete the work.)

A second possibility for consideration would be to request proposals from Jamaican consultants who may or may not elect to team up with off-island consultants, or who may choose to form joint ventures among island professionals to do the work. This method would require a carefully structured work program to guide the efforts and the product of the consultant team. Jamaica has highly qualified design and engineering consultants.

(The cost of this effort would probably vary only slightly for that of an off-island consultant except in the area of reimbursable expenses.

Finally, a Consultant Panel Service conducted by the Urban Land Institute ULI and its membership might be considered. The Urban Land Institute is a professional international organization with a core of approximately 2000 sustaining members who are granted full membership because of their accomplishments in land development, finance, real estate or design consulting or public policy. An additional 16,000 individuals are associate members of ULI.

The panel service works in the following fashion:

1. The client (public and/or private) asks ULI to consider a panel six or more months in advance. A ULI staff person meets with the client group to craft a statement of the problem, the issues to be researched, development questions to be raised, and the kind of professionals needed to conduct the panel session.
2. A target date is set for the panel after agreement on the fee. ULI contacts eight expert members who will volunteer their time to ULI for no compensation to serve on the consultant panel.
3. The client (KRC and/or others) meanwhile, will prepare an extensive briefing book summarizing economic and demographic trends, property information, development projects in planning or recently completed, historic and cultural development, competing districts and projects, governmental resources and attitudes in the public and private sector to be interviewed. Aerial and ground level photos and base maps with building footprints are important to the panel. The ULI staff will distribute this information and will arrange for on-site lodging, secretarial support, transportation and meals.
4. The panel session begins on Sunday afternoon with a get-acquainted meeting with key local officials and personalities. Monday and Tuesday are spent in interviews and meetings with key local persons and in discussing the project questions. Daily sessions typically begin at 7:30a.m. and finish at 10:00p.m.
5. Wednesday and Thursday are spent writing, designing, raising questions and seeking answers, discussing alternatives and reaching consensus on issues of substance.
6. The entire panel prepares and delivers a verbal report to the client group and their guests on Friday, answers questions and delivers the final written report and drawings to ULI staff.
7. Within several weeks a professional published bound report with illustrations, photos and statistics is delivered to the client by ULI. The report is not intended to solve all problems or to provide definitive designs and development pro formas; that, the report will reinforce certain directions and assumptions, challenge others, and generally provide a high level of thought and experience to Kingston programs and suggest actions in order to accomplish Kingston's goals.

(The current price of the five-day ULI Panel Service is \$75,000. The assembly of the Kingston background information should be coordinated by one individual and budgeted, all inclusive, at U.S. \$10,000 dollars).

6. Technical Assistance and Training

Technical assistance was an important and effective element in Phase I and will continue in Phase II but at a reduced rate. In Phase I technical assistance helped to build the institutional capacity and technical skills of KRC, develop criteria for project investments, create models for developing and financing projects and establish effective systems for carrying out KRC activities. Most of the Phase I technical assistance was provided under a long term (ie five year) contract with a U.S. monitoring and management support contractor. That contractor provided a high level of assistance during the first two years of the project, but for the past few years the level of effort has been relatively modest and has focused for the most part on specific problems and issues.

Three different types of technical assistance will be needed during Phase II. Most funds will be used to support KRC implementation of its revitalization strategy. During Phase II KRC will need continued but periodic technical support to help it carry out its catalytic development role and grapple with the complex development problems that are anticipated in Phase II. Technical assistance will help KRC to design innovative developmental financing techniques, prepare prospectuses, proformas and syndication offerings to attract private investment, plan project specific development strategies and improve KRC's cash management and financial planning systems. Special consultants may be needed to help KRC with specific developmental issues. For example, in the U.S. consultants are available who specialize in rethinking, redesigning and retenanting unsuccessful shopping centers. Such expertise might be employed to help UDC revive its downtown shopping malls.

Because KRC has demonstrated its ability to contract for technical services using procedures defined in the AID-approved KRC Procurement Manual it is anticipated that KRC will contract directly with U.S. and Jamaican providers of technical assistance on an "as needed" basis. KRC would consult with AID and seek its approval prior to the award of technical assistance contracts.

Because of the complexity and innovative character of the Inner Kingston project AID's Project Officer plays an active and key role in project implementation. As recognition of this role half the salary of the Project Officer will be funded from Phase II technical assistance funds.

While UDC will receive no funds in Phase II, during the early years of the project UDC will be constructing the Harbour Street Sewer. Such an endeavor will be a challenging construction project and one in which AID will have invested more than \$U.S.3 million. Both AID and UDC would benefit from the monitoring of the project by an experienced engineer. Part of the technical assistance budget will be used to hire an engineer to make regular inspections of the project and to report to AID on the problems that have been encountered and the progress that has been made.

The third element of technical assistance will assist AID monitor KRC's performance in meeting project objectives. Funds would be used to finance special studies of key program issues or problems. For example AID might sponsor a study of the effects of the project on employment and behavior in Inner Kingston. AID might choose to examine in more depth than has been done to date the economic linkages and competitive relationships between downtown and New Kingston.

Training played an important role in upgrading the development skills and experiences of KRC staff. Early in the project KRC and UDC staff toured publicly and privately sponsored development projects in Miami. Staff have attended practitioner courses in the United States in such fields as the real estate development process, land development, public-private partnerships, financing and community development programs. These courses which were offered by such organizations as the Urban Land Institute and Institute of Real Estate Management were judged to be very helpful by participants. KRC staff have also attended conventions of the International Downtown Association. Training of KRC staff and board members will continue to be an important program element. Tours of U.S. cities with successful private sector-led redevelopment programs will be continued so that KRC staff can have first hand knowledge of successful projects.. KRC staff will be encouraged to take advantage of training opportunities that are related to Phase II activities including training or seminars on creative development financing techniques, financial planning and management, real estate feasibility analysis and packaging and techniques for creating public private partnerships.

As part of its Community Development program KRC hopes to identify local and U.S. training opportunities for selected residents of Inner Kingston. KRC already supports the education of more than 60 secondary students and helped a resident to earn a certificate in principles and practices of social work. In Phase II KRC will seek to expand such activities. It hopes to assist two Inner Kingston resident attend community development and leadership courses in the United States and would like to send honor students annually to Outward Bound courses.

Training will be funded both with project and non project funds. A small amount of funds have been set aside for training in the project budget. Efforts will be made secure additional resources from other Mission programs such as CLASP and from USIS visitor programs.

D. Project Activities: Urban Development Corporation

1. Project Status:

The Phase I project was designed as a public private joint venture between KRC and UDC to revitalize downtown. KRC and UDC were expected to work closely together on a set of activities that would reinforce and support one another. KRC's role was to increase work space using resources largely from the private sector and AID. UDC's role was to build major infrastructure improvements with AID and Government of Jamaica funds and some private financing. While KRC has been successful in achieving many of its its objectives, UDC's performance has been disappointing for various reasons (See "Public Sector Development: Urban Development Corporation", Urban Institute, 1991). Implementation of its projects have been affected by delays, cost escalations and scaling back of project outputs.

The original UDC project had three components: (1) A new transportation terminal with facilities for both Kingston and rural buses as well as associated commercial space; (2) Replacement of the Harbour Street trunk sewer from South Camp Road to the Darling Street Pumping Station and upgrading of secondary sewer and water lines and (3) Resurfacing of major downtown streets and installation of traffic signals at key interesections on Harbour and Port Royal Streets.

The rural part of the transportation terminal has been completed, a year later than planned and at a 30 % higher cost than estimated in the PP. Although plans were prepared for the urban portion of the terminal, AID and the GOJ have agreed that it will be eliminated from the

Inner Kingston project and that the remaining funds in that account will be used to finance the Harbour Street sewer. UDC hopes to improve the site and use existing structures on the site as a temporary urban bus station until additional GOJ funds can be identified. The sewer project is two-three years behind schedule and costs have more than doubled. Eventhough AID has agreed to divert funds from other project elements to the sewer, AID funds are estimated to cover only \$US 3 million of the total estimated cost of \$US 6.5 million. UDC terminated construction of the sewer in late 1989 for non performance by the construction contractor and, after rebidding the work, construction began again in the Spring of 1991. Construction is expected to take two to three years. By agreement between AID and UDC the installation of secondary infastructure and roads have been dropped from the project, though the traffic signals will be funded out of project funds.

2. UDC Role in Phase II:

UDC will receive no funding in Phase II, though completing of the Harbour Street Sewer is considered essential to establish the necessary climate for private investment. Investors continue to warn KRC that lack of an adquate sewer system along the Harbour Street corridor remains a significant constraint to redevelopment of surrounding properties.

Since the PACD for Phase I ends September 29, 1991, the PP Supplement proposes that AID extend the PACD for UDC activities for an additional three years (ie until September 28, 1994). This extension would be a no cost extension and since construction is now underway appears to be a date by which UDC could complete all project activities.

To ensure to the extent possible that the sewer construction proceeds as quickly and efficiently as possible, AID should closely monitor the sewer construction work. Because the Mission's Engineering Office will have limited staff resources, AID should contract for a consultant to regularly and periodically monitor the project (See Section IIIC6, Technical Assistance and Training).

As noted in Section IIC2, in addition to completing the Harbour Street sewer and traffic light infastructure projects, UDC will remain in Phase II a very important factor in stimulating the revitalization process. KRC expects to negotiate joint ventures with UDC to develop publicly owned vacant land or to rehabilitate under-utilized publicly owned buildings. UDC is expected to join with KRC in planning for and implementing strategic development projects. UDC will be an active participant in preparing an overall plan for downtown.

IV. CHANGES IN PROJECT ANALYSES

A. Documentation of Costs

- 1.
- 2.

B. Financial Analysis:

- 1.
- 2.
- 3.
- 4.
- 5.

C. Economic Analysis

The Project design incorporates a specific view of how far the redevelopment process in Inner Kingston has advanced. As long as the overall downtown environment is being upgraded, individual investment projects no longer need to be subsidized or need only modest subsidies to be shaped in a way that will bring external benefits to an entire block or neighborhood.

However, background "public" investment and upgrading continues to be critical to the investment process. By attracting customer traffic, making the general environment more appealing, and allaying fears over security and nighttime isolation, this "public" investment increases the returns for all private investors in property renovation. That is, civic, cultural and waterfront investments are complementary to strictly private investment in business upgrading.

- 1.
- 2.
- 3.

4. Cash Flow and KRC's Long-Term Sustainability

1. The Broad Picture:

KRC's budget picture gives rise to a direct trade-off between two of its missions: re-investment of earnings from AID-financed phase I projects in further downtown project development, and the long-run sustainability of KRC as an operating organization.

The dimensions of this trade-off can be seen by examining the magnitude of earnings from AID-financed assets. Of AID's total grant payments to KRC of US\$7.352 million in Phase I, (US\$25,000 of the grant was expended directly by AID). Only US\$4.806 million (65%) is earmarked for income-producing investments in industrial and commercial projects. The remainder of the grant funds are targeted to non-income producing activities: KRC operations prior to 1991, public street improvements, restoration grants, community development and technical assistance. If all AID-financed investment assets yielded a rate-of-return equal to the market rate of interest (currently 7.25% for prime rate lending in U.S. dollars), they would yield an annual earnings stream of US\$348,000. Of course, the Jamaican dollar equivalent of this earnings stream would rise over time with devaluation of the Jamaican currency. However, over the intermediate and long run, devaluation must track the inflation differential between the U.S. and Jamaica. The high Jamaican inflation rate which leads to devaluation also drive up the construction, wage, and other costs that KRC faces. To a good first approximation then, we can analyze both KRC's costs and earnings in U.S. dollars without adjustment for inflation or devaluation.

Of the US\$348,000 in potential annual earnings from assets, KRC is required by the terms of the Phase I agreement to expend ten percent, (US\$34,800), on non-reimbursable restoration grants. Thus, a total of US\$313,200 remains available for KRC's discretionary use.

KRC's dilemma is that its operating expenses alone considerably exceed this level. In 1990-91, operating expenses will approximate J\$3.3 million, or US\$330,000. Consequently, even if KRC's assets were earning a full market rate of return, they would not produce enough income to cover the organization's operating expenses, much less produce income to help finance development planning and new physical investment.

In reality, KRC's assets are earning less than a full market return, at least in cash terms. KRC presently is earning about 7% cash return in J\$ on its initial investment in development projects, after allowance for arrears, much less than the J\$ market rate of interest, now about 28%. The difference may or may not be made up in capital appreciation, depending upon the sales values KRC is able to realize for its properties. During 1990-91, KRC had a large amount invested in financial instruments, which does earn a market rate of return.

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C. Control of Operating Expenses

To prevent operating costs from eating deeply into assets, it will be necessary to keep operating expenses under tight control. Staff size will have to be watched to avoid growth that KRC cannot afford. As KRC succeeds in selling off properties and does not require property management skills in-house, it may be possible to reduce staff. Wage adjustments will have to be consistent with KRC's earning position. There does not appear to be much fat in KRC's staff, however. The priority needs are to hold the level on staff size, while generating more income-earning activity.

D. Sale of Assets

At this point, KRC must sell some assets merely to pay recurring operating expenses. Hopefully, these sales will produce capital appreciation which can be dedicated to operating costs, while recycling the original principal for new investments.

E. Earned Income

KRC needs to carefully monitor its investments to maximize rent collections, invest its money efficiently, minimize the cost of any borrowings, and charge adequate fees for its development services.

2. Implications for Phase II Design

All in all, KRC's operating expenses and income can be projected as follows:

Operating, Technical Assistance
and Development Activities
Expenses (Current level)

US\$470,000

Operating Income

Earnings from Assets (cash return)	200,000
Earnings from Operations	100,000
Sale of Assets	170,000

It is important to recognize that KRC will be depleting its asset base under this scenario. However, under these assumptions (i.e., KRC is able to hold the line at current levels in terms of staff and operating costs; is able to maintain current levels of real income from its assets; and is able to modestly increase its earnings from development of management fees) KRC would be in a position to maintain its current scale of activity for at least a decade beyond the end of the Phase II project period. The assumptions require a focused management effort by KRC, but they are by no means impossible to satisfy.

Phase II will add to the income-earning asset base of KRC. Indeed, the strongest implications of the foregoing analysis are:

- (1) Phase II should target as much of its resources as possible to income-generating investments, so that KRC can end the period a self-sustaining institution.
- (2) KRC should re-evaluate its investment activities so as to maximize its rates of return. Acting as a financial catalyst and deal maker, KRC should be able to earn higher returns than it has as direct builder and operator of property. A change in KRC's investment emphasis thus is necessary for KRC's financial survival as well as for KRC to contribute most effectively to downtown development.
- (3) If, in the long-run sustainability of KRC is a critical consideration to USAID, AID may want to waive some of the restrictions that now limit KRC's income-generating capacity.

For example, the requirement that KRC devote 10% of all reflows (asset sales and earnings from assets), to Restoration Grants was motivated in part by AID's fear that KRC would end the project period with large amounts of assets whose disposition AID would not be in a position to supervise or monitor. The Restoration Grants program has proved very successful. However, USAID may want to waive the 10% requirement, if it now has more confidence in KRC and wants it to preserve an income-generating asset base. In some cases, KRC may in the future be able to support development as effectively by lending funds to developers, or taking an equity share in projects or by making grants. Such a strategy could also generate income for KRC.

Finally, in order to encourage KRC to act as an income-generating developer, AID should make clear that KRC can use AID resources to buy and sell property and otherwise earn income while stimulating development. In the past, AID sometimes has taken the position that KRC should not buy and sell land for profit. This position is not consistent with KRC's role as a development catalyst and with the desire to make KRC a self-sustaining organization.

D. Technical Analysis

E. Gender Analysis

The Urban Institute collected data on the employment impacts of the Inner Kingston project but it did not collect gender data on employment. However, the Urban Institute found that most of the new employment generated by KRC tenants (ie 313 out of 515 jobs) came from jobs established by garment and electronics assembly firms. Nearly all these jobs were filled by women (See Peterson et al, Survey of KRC Tenants, The Urban Institute, 1990).

KRC seeks to expand employment for inner city residents. These residents typically have low skills and limited experience in full time employment. The jobs that residents will qualify for are in the service and factory sectors. In these sectors employers tend to hire women who have more dexterity and motivation. No special gender related constraints for women have been identified in this project. Women may, however, lack the experience or education to qualify for supervisory or management jobs, though this does not appear to be the case in the garment sector. The wages for garment and assembly jobs, however, are low.

KRC's Community Development program supports various projects to improve the educational and job skills of Inner Kingston residents, including women. Women participate actively in these projects. Gender constraints appear less important to assuring that women are beneficiaries of the project than are the constraints to women gaining employment or improving their skill levels.

F. Social Soundness Analysis

Social considerations, as embodied in the community development component of the Project, are fundamental to project design. The Central Kingston residential community not only is poor, but extremely immobile. It consists of approximately 6,000 persons and is characterized by extremely high unemployment, low educational and training levels, derelict housing conditions, and many of the social problems associated with the underclass in inner-city communities. Drug abuse is widespread throughout the area and in recent months crack has become the drug of choice. Fifty-five percent of households are headed by women without a male adult regularly in the home. This limits the travel time that mothers can expend getting to and from work, while caring for children. There are also strong social barriers to work outside the downtown area;

employers typically are reluctant to hire inner city workers and residents are reluctant to take formal-sector jobs outside the neighborhood they know. These considerations argue for bringing job creation to the central city and as near to the pockets of residential concentration as possible, as the Phase I Inner Kingston Project has done. Hiring of local residents has been through referrals from CBOs.

The Project from the outset has placed great importance on providing social and other services to inner-city residents. This not only has been important as an end in itself, but as a means of securing residents' participation in the redevelopment process. Without community support, the factory construction that takes place during the daytime could easily be undone by community demolition at night. As a result of its efforts over the past five years, KRC has earned the community's respect as a non-political organization that does what it promises to do and possesses a human identification with residents.

1.

2. Women in Development

AID/Jamaica's CDSS recognizes the Mission's responsibility to give special attention to the needs of women. The Inner Kingston project addresses this commitment in three ways. First, a large number of the jobs generated by the project have gone to women, many of whom reside in Inner Kingston. Second, the project has improved social, health and job training and placement services in the area and a large proportion of the beneficiaries of the services are women. Third, KRC has financed directly and indirectly many different types of community development programs (eg a health clinic, job training and development programs and education programs) many of which are staffed and managed by women. In Phase II special attention will continue to be given to the role of women.

G. Institutional Analysis

KRC is a private public purpose corporation formed in 1983 by the leading insurance companies, building societies, corporations, UDC and development companies operating in Inner Kingston in order to encourage the economic and physical revitalization of the area. Representatives of the sponsoring organizations form the board of directors and contributed seed capital in the early years.

In 1985 AID agreed to provide funds to KRC to rehabilitate an abandoned brewery. Based on KRC's performance with that project, in July 1986 AID and KRC entered into a Cooperative Agreement to further the revitalization process. Ultimately AID agreed to provide a grant of US\$7.557 million to KRC. Starting with only a part time executive director in 1985, KRC over the past six years has become a successful and highly regarded development entity. It has assembled a skilled and highly motivated staff that has been able to implement a complex and multi-faceted program of revitalization. KRC has taken possession of four industrial complexes and rehabilitated and leased them, efficiently and generally on schedule. It has completed two joint venture street upgrading projects in which building owners and KRC share the cost of street and facade improvements. KRC operates successful Restoration Grants and Community Development programs. It works with and provides technical assistance to a large number of organizations including retail merchant associations, CBOs, NGOs and agencies of the Jamaican government. KRC maintains a close working relationships with UDC and the KSAC, the primary public entities responsible for the maintenance and redevelopment of downtown.

KRC has evolved into a professional and respected organization. It has demonstrated its ability to play a leadership and catalytic role and has refocused attention on the developmental opportunities that exist downtown. Its public purpose private character enables it to work effectively with both the private and public sectors. AID funds and program income have provided KRC with a substantial asset base which can be used to finance new investments and KRC operations.

H. Environmental Analyses

An Initial Environmental Examination (IEE) was conducted for the Inner Kingston Project in 1986 and a determination was made that the project had no significant negative impacts on the environment. Phase II continues the same project and types of activities and the Mission Director approved on May---, 1991 an action memo approving another IEE which made a negative determination. The Mission is in the process of securing the concurrence of the LAC Environmental Officer.

I. Other Project Issues

The following discusses project related issues that arose during the project design phase.

1. Project Boundaries:

Consideration was given to expanding the Phase I project boundaries (which are defined as running northerly along Darling Street from Kingston Harbour to Spanish Town Road, from that point easterly along a line paralleling Heywood and Sutton Streets to South Camp Gully, then southerly along South Camp Gully to its intersection with South Camp Road, then southerly along South Camp Road to the harbour, and westerly along the shore line to the origin). There are many buildings suitable for rehabilitation immediately north of the project boundary and an expansion of the project area would relieve some of the speculative pressure that has built up. On the other hand, the mid-project Evaluation and many expert observers argued that KRC should continue to target its investments and attention on the original project area and not dilute its impact. AID believes that Inner Kingston's problems remain challenging and formidable and most of KRC's activities should take place within the original boundary area. However, on a case by case basis developments nearby that clearly contribute to revitalization of the project area should also be supported. Based on this the proviso area boundaries for Phase II would be extended to the west to include the the Government Rum Stores site in the event KRC is able to enter into a long term lease with the Ministry of Agriculture for the property.

2. Housing Development:

KRC prudently refrained from involvement in housing development during the first three years of the project, while it established its reputation. However, housing development is a critical part of the restoration process and there is a need to address the problems arising from the current poor living conditions that exist in Inner Kingston. The KRC board has instructed management to analyze the housing problem downtown and two building societies have given KRC \$J 400,000 to develop a housing strategy and plan.

AID has taken the position that the development of housing should not be funded out of project funds. While recognizing the importance of housing to the future of downtown, the limited level of funding that can be made available by AID suggested that project funds should be limited to industrial, commercial and infrastructure projects. AID and KRC have agreed in

principle that KRC could actively facilitate and encourage housing improvement activities but housing development would have to be financed without AID financing. If KRC were involved in developing or owning housing this would be done through another corporation and by staff employed by the housing corporation.

3. Non AID Contributions To Project Activities

A major project design issue relates to AID's expectations about GOJ and private sector contributions to the project. In Phase I the project design provided for counterpart support for the upgrading process by the GOJ and the private sector. The KRC board through various arrangements provided \$J 9 million of funds for KRC activities. The GOJ's contribution was in the form of investments in infrastructure projects and the upgrading of the West Kingston markets. Over the past five years the private sector has shown, in the King Street development program, a willingness to match KRC investments with substantially larger sums for private investment. The private financial sector has provided KRC access to capital at below market interest rates. The GOJ has recently granted KRC tax-exempt status, which will allow it to leverage development resources more effectively.

In designing Phase II various counterpart contribution options were considered. On balance it was concluded that raising funds in the form of private sector contributions or donations to KRC's capital base in Phase I was a token success at best and was a major drain on management resources. Having raised the funds, it was not evident that the effort brought about a greater local commitment to KRC or substantially improved KRC's ability to carry out the goals and objectives of the project. Given the nature of the project AID has concluded that preferred private sector counterpart contribution would be market-determined equity investments in major development projects with no or minimal subsidies. Securing such investments forms the core of KRC's Phase II strategy. In addition, business owners will continue in Phase II to finance most of the cost of street upgrading and Restoration Grants projects

No host country contribution is sought in Phase II outside of the already committed GOJ budgetary support for the Harbour Street sewer because Phase II entails no assistance to the public sector. KRC, however, will be working closely with UDC to jointly develop publicly owned vacant land and buildings. The UDC Chairman and his staff have expressed interest in exploring with KRC joint venture options approaches to put back public

properties into productive use. KRC has successfully redeveloped three publicly owned properties and expects to give priority attention to such ventures in Phase II.

4. Community Services Provision:

The Phase II concept paper raised the issue of whether AID project resources for social services should be concentrated on a small target area with 6000 people. This target is appropriate and supportive of project objectives for several reasons. Firstly the area is one of the poorest and most underprivileged in Kingston and the need for all types of services and assistance is great. Second with dwindling government resources the availability of public services is on the decline. In many instances KRC, along with local CBOs, are filling service gaps for which government used to be responsible. For example, with funds from the U.S. Embassy KRC will establish and operate a teen center. The purpose of the center is to help youth find alternatives to becoming involved with drugs and crime.

From the beginning it was apparent that the poor and needy residents of the area had to have some stake in and benefits from the redevelopment of the area if the problems of crime, security and vandalism were to be addressed. Over the past five years KRC has managed to build credibility in the residential community and establish good working relationships with the conflicting factions that reside there.

Community development activities are an integral part of KRC's redevelopment strategy and approach. They provide help and create opportunities for a significant number of downtown residents and at the same time give residents a stake in KRC's revitalization agenda.

V. IMPLEMENTATION ARRANGEMENTS

Phase II will build on the successful activities of Phase I and the evaluation completed in February 1989. The evaluation assessed: which activities of the current project should be continued or expanded; what new emphases should be incorporated into Phase II; the strengths and future needs of KRC as an implementing organization; and the duration of external commitment that would be necessary to make Inner Kingston revitalization self-sustaining.

A. Administrative Arrangements.

1. Implementing Agency. KRC and UDC are implementing the two major components of Phase I. In designing Phase II, a number of implementing agency options were considered. These included the Kingston and St. Andrew Corporation (KSAC), the local government, and UDC since both have responsibilities for urban service and infrastructure provision in Inner Kingston.

Although UDC has been effective in the past, there is a consensus among community and business leaders that it has not been successful as an urban infrastructure delivery agency in recent years. UDC encountered serious delays and cost overruns in implementation of its Phase I responsibilities. KSAC has few human and financial resources and little experience in many of the kinds of activities planned for this project. The Mayor of the KSAC identified KRC as the best organization to manage this program.

No other private, public-purpose organization, with the exception of KRC, was identified as having the technical capability to carry out the real estate and community development activities envisioned in Phase II. KRC, therefore, will be the sole implementing agency for Phase II activities. KRC will, however, enter into contractual arrangements with KSAC, non-profit institutions, UDC, the Port Authority, and private firms to implement the various program elements. This model of operation has been used successfully in Phase I. The completion date for UDC activities will be extended for three years beyond the current PACD.

2. Borrower/Grantee and/or Implementing Agency

Phase II activities will be implemented by KRC with subgrants to private voluntary organizations as appropriate. The Building Demolition Program and Open Space Fund will be managed by KRC, while non-voluntary demolition will be carried out by the KSAC, the local government entity with the statutory authority to undertake such action. It is anticipated that KRC will enter into joint development agreements with public bodies such as UDC or the Port Authority.

3. USAID Responsibilities. The Project will be managed by the Regional Housing and Urban Development Office (RHUDO/CAR). This arrangement worked successfully in Phase I. RHUDO and other Mission staff will continue to work with KRC on a regular and collaborative basis. Specifically, the Engineering and Energy Office will handle the construction aspects of the project. The Office of Health Nutrition and Population will provide assistance in matters related to KRC's health and drug prevention programs. The Office of Economic and Private Enterprise will advise on matters relating to micro-enterprise development and maximizing the contribution of the private sector.

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B. Implementation Plan:

The project will be implemented over a 60 month period with a start date in July 1991. A rapid start up is anticipated because many of the Phase I programs will be continued in Phase II and because most staffing and institutional arrangements are already in place.

Preliminary discussions related to specific projects under the Strategic Investments program are already underway but completing the feasibility work and negotiating arrangements for the projects will require an extended period of time. Some of the less complex projects should be fully designed and under construction in FY 1992 whereas others may require one-two years to plan and organize. Each project will have a different implementation schedule which cannot be determined at this time.

The preparation of an overall downtown development plan can begin once the scope and purpose of the plan and organizational arrangements have been defined. This should occur by early FY 1992 and completion of the plan should take about six months.

Setting up and implementing the demolition and open space activities as a part of the Restoration Grants program will require KRC to define exactly how projects will be identified and selected and how sites will be cleared and improved. KRC and the KSAC have prepared in draft a cooperative agreement for demolishing buildings. KSAC expects to be reauthorized to carry out building demolitions in July or August 1991 so these activities should commence by mid FY 1992.

The Community Development program began in Phase I and will continue in Phase II. Phase II funds will be used both to continue existing ongoing projects and fund new initiatives. Disbursements for Community Development will begin early in FY 1992. A number of projects will be funded on an annual basis.

Technical assistance and training were provided in Phase I and will be continued in the second phase. Early in FY 1992 KRC will require some off-shore assistance to develop plans and strategies for identifying, prioritizing and analyzing strategic investments.

A mid-project evaluation and audit have been scheduled for FY 1993. A final report has been scheduled for FY 1996.

In addition KRC during Phase II will be continuing other programs that were set up in Phase I using its own funds or program income (e.g. the Restoration Grants program).

C. Financial Plan, Method of Financing and Procurement

1. Funding:

AID will provide grant funds for the project by means of entering into a new Cooperative Agreement with KRC which will authorize up to \$US 3 million in grant funds for KRC. These funds will be obligated over a five year period starting with \$500,000 in FY 1991. KRC will in turn use the funds for KRC managed activities or in some instances make subgrants to property owners, development companies or CBOs in furtherance of KRC's goals and purpose. KRC will subcontract with the KSAC in order to carry out involuntary demolition of unsafe buildings.

No funds will be provided to UDC.

2. Financial Plan:

Table 1 and 2 provide summaries of the Phase II Financial Plan. Table-- projects AID expenditures by financial year and program element. Table 2 shows the anticipated sources of funding for Phase II from AID and non-AID sources. AID funds are broken down between foreign exchange and local currency requirements. Non AID funding has two sources: (1) KRC operations and donations which includes earnings on non-AID funds, fees and donations and (2) program income. Program income is earnings and capital gains on the investment of AID grant funds.

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KRC's contribution to the project will be in the form of devoting all of its income from Phase I projects, as well as development fees, captial gains and interest income to activities which support the aims of the Inner Kingston Project within the project area.

The GOJ contribution to the project takes the form of the tax exempt status which it recently granted to KRC.

3. Procurement Plan:

The great majority of project funds will be used by KRC or its subgrantees or subcontractors to purchase commodities such as labor, land and building materials to rehabilitate or upgrade buildings or infastructure, demolish or improve building sites or to provide services to local residents. Some funds will be used to hire Jamaican and off-shore consultants to prepare development plans, design and examine the feasibility of projects, structure financing packages for projects, monitor KRC performance and carry out special studies. A small percentage of the grant will finance training for KRC staff to improve their job skills and knowledge of revitalization techniques.

All procurement will be handled by KRC except for certain training and technical assistance activities which will be undertaken by AID. Specifically AID will contract for its own monitoring, auditing and evaluation technical assistance and will assist KRC access training opportunities in the United States. AID will to the maximum extent possible contract with American firms for the services it requires.

Most project activities will use local cost financing but KRC will utilize U.S. dollar procurement to acquire off-shore technical assistance and training. In either case procurement procedures will be in conformance with KRC's Procurement Manual which was approved by AID during Phase I (Project 11 dated April 30, 1987). The Mission Director has reviewed and certified that KRC has the capability and management systems in place to handle its own procurement.

KRC will utilize foreign exchange only to acquire technical assistance and training as specified in Section III, Subsections and 8.

Table 1
Phase II
Summary Financial Plan for KRC
(US\$000)

<u>Components</u>	<u>AID</u>			<u>Sources of KRC Funding</u> <u>Non-AID</u>			
	<u>Total</u>	<u>FX</u>	<u>LC</u>	<u>Total</u>	<u>KRC Operations & Donations</u>	<u>Program Income</u>	<u>Project Total</u>
1. Strategic Investments	1575	-	1575	2350	600	1750	3925
2. Downtown Plan	100	100	-	-	-	-	100
3. Community Development Activities	250	-	250	25	-	25	275
4. Building Demolition and Open Space Program	200	-	200	-	-	-	200
5. Technical Assistance and Training	725	600	125	-	-	-	725
6. Evaluation/Audit	150	-	150	-	-	-	150
Total	3000	700	2300	2375	600	- 1775	5375

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TABLE 2

PHASE II
FINANCIAL PLAN FOR EXPENDITURE OF AID FUNDS
BY FINANCIAL YEAR AND PROGRAM ELEMENT*

(US\$ 000)

<u>COMPONENT</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>TOTAL</u>
Strategic Investments	9	160	400	450	350	240	1575
Downtown Plan	25	75	0	0	0	0	100
Community Development Activities	0	50	60	60	40	40	250
Building Demolition and Open Space Program	0	50	75	50	25	0	200
Technical Assistance and Training	15	170	170	150	130	90	725
Evaluation/Audit	0	0	100	0	0	50	150
TOTAL	40	505	805	685	545	420	3000

*Does not include Phase I Program Income and other KRC resources which will be expended on KRC projects and operations during Phase II.

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4. Waivers:

The Mission Director under his authority granted by Cable, Final Implementation Guidance-Buy America (State 410442/01), has waved the Buy America requirements for this project.

5. Gray Amendment:

In off-shore procurement KRC and AID will seek, to the maximum extent possible, the participation of small business concerns, small disadvantaged business concerns and women-owned small business concerns in all phases of contracting under this project. In furthering Gray Amendment objectives every reasonable effort will be made to identify and make maximum use of such concerns and may be used as a determining factor when all other criteria are found to be equal.

D. Monitoring and Evaluation

In Phase I AID contracted with a management and monitoring contractor to provide various types of assistance to AID, KRC and UDC. That contract was completed in March 1991.

Because KRC only is the focus of Phase II and because reporting and information systems are in place, AID will not require a monitoring contractor in Phase II. AID's monitoring responsibilities can be met through AID's ongoing contacts and communications with KRC. KRC has a computerized financial and accounting system in place and KRC provides regular financial and narrative reports to AID. By tradition the AID project officer attends KRC board meetings. AID may, however, from time to time finance special consultant studies to analyze KRC's performance and the impact of its programs and changing conditions in Inner Kingston.

Funds have been budgeted to conduct a mid project evaluation, an audit and a final report. The mid-project evaluation is scheduled for the fall of 1993.

E. Negotiating Status, Conditions, Covenants, and Areas covered by Substantial Involvement Understandings

1. Kingston Restoration Company

Overview:

To implement the Inner Kingston project AID and KRC entered into a Cooperative Agreement (# 532-0120-A-00-6096-00 dated July 30 1986). That Agreement expires September 29, 1991. AID will enter into a new \$US 3 million Cooperative Agreement for

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Phase II during July 1991 which will cover the period ending July 29, 1996. Consequently for several months two cooperative agreements will be in effect.

The Phase II Cooperative Agreement will describe activities that will be financed by the project, the substantial involvement understandings between AID and KRC and AID's requirements concerning the use of program income. The Cooperative Agreement should incorporate by reference Phase I Project Letters and other relevant policy understandings between AID and KRC, including AID's and KRC's understandings about how funds arising from the AID grant will be expended.

The basic structure and requirements of the Phase I Cooperative Agreement have proven effective in facilitating a close working relationship between AID and KRC. The agreement has provided KRC with the necessary flexibility to respond to a broad range of developmental opportunities and management issues but at the same time allowed for close and well-informed monitoring of KRC's performance by AID.

In Phase I KRC was required to submit, in a form and substance satisfactory to AID, descriptions of and selection criteria for each program component (eg Industrial Development, Restoration Grants etc). Funds were not disbursed for any program element until AID had approved the design and criteria for that element. In addition KRC submitted to AID for its approval financial and narrative descriptions of all major development projects regardless of the proposed source of funding for the project) prior to expending any funds for those projects. KRC and AID worked together closely to prepare annual budgets and evaluate candidates for KRC staffing positions. These arrangements worked effectively in Phase I and should be continued in Phase II.

In preparing the PP Supplement consideration was given to seeking a specific local contribution to match AID grant funds. (See Section IVG3, Other Project Issues). On balance it was concluded that, based on the Phase I experience, requiring the raising of such funds would not necessarily help to carry out the goals and objectives of the project. It was concluded that the major focus in Phase II should be to promote large, profitable, income producing investments by the private sector rather than solicit direct donations or contributions to KRC. Smaller private investors will also continue to pay the largest part of the costs of street improvement and restoration grants projects.

No host country contribution is sought in Phase II outside of already committment GOJ budgetary support to the Harbour Street sewer because Phase II entails no

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assistance to the public sector. KRC, however, anticipates working with UDC to develop joint venture projects using publicly owned vacant land and buildings.

Recommendations:

AID should enter into a new Cooperative Agreement covering the period July 1991 to July 29, 1996.

KRC faces several important issues and challenges at the present time which should be resolved prior to any disbursement of funds under the new Cooperative Agreement. They relate to improving KRC's financial position and cash flow situation. The following requirements should be added to the Substantial Involvement Understandings of the Phase II Cooperative Agreement.

Prior to the disbursement of any Phase II funds KRC should furnish AID with an Implementation Plan, in form and substance satisfactory to AID. The Plan would have the following elements:

1. Five Year Projection of KRC Income and Expenses. KRC should give additional attention to its long term planning. This should be accomplished by developing a five year cash flow projection of major KRC sources of income and expected spending areas. This need not be an elaborate analysis but it should identify potential financial issues and cash flow problems and establish financial targets for KRC's board and management. The analysis should be updated periodically.
2. Staffing Analysis. While KRC's staff is relatively small it has grown over the past few years. Given the limited funds that are available, the evolving role of KRC in the development process and everyone's interest in maximizing investment resources and minimizing operating costs, KRC should look carefully at its staffing situation and requirements. The staffing analysis should relate staff resources to KRC functions, provide a staff diagram, list duties for each KRC staff person and identify staffing gaps and opportunities for reductions in staff or reductions in staffing costs.
3. Property Divestment Plan and Proformas. KRC should prepare proformas for the three major industrial complexes it now owns. As noted elsewhere KRC no longer needs to demonstrate the profitability of downtown property development and ownership. Furthermore, because property management is very labor intensive, KRC should divest itself to the extent possible of its property management function so that it can concentrate on pursuing development opportunities. Moreover, KRC's cash management plans require KRC to recapture its investments in properties so

that those funds can be used to finance new projects and KRC's operating costs. KRC should give high priority to selling off its currently owned properties. KRC should prepare professional proformas of its properties and make them available to potential purchasers. KRC should prepare a plan, budget and schedule for selling off the properties and take other steps that are necessary to sell the buildings on the most advantageous basis possible. KRC should be encouraged to submit this element of the Implementation Plan as quickly as possible so that sales efforts can begin quickly.

KRC and AID have had long standing discussions about what the relationship between AID and KRC should be after the PACD. Project Letter 90, "Definition of A Long Term Relationship between AID and KRC", dated April 11, 1990 asked KRC to prepare a long term strategic plan and a concept paper that would set out the principles that would guide KRC expenditures - and the - long term relationship between AID and KRC after the PACD. Those documents and understandings have not been completed. The five year plan will be prepared before Phase II funds are expended (See above) so that it would be an appropriate time for AID and KRC to agree over the next few months what general principles or decision-making arrangements will govern the use of KRC assets.

2. Urban Development Corporation

Overview:

AID and UDC entered into a Loan and Grant Agreement (# 532-W-055) dated July 30, 1986). This document will have to be amended to reflect the changes in the scope of work and budget that have occurred and to extend the PACD. A three year extension of the PACD should provide UDC with sufficient time to complete its AID-funded part of the Inner Kingston project. In extending the PACD AID may wish to reaffirm the GOJ's commitment to finance its share of the sewer project. It might also be an appropriate time to reach an understanding with UDC about a plan and schedule for improving the urban bus terminal site so that it can be used as a bus terminus and for agreeing how the original UDC commitment to provide privately financed commercial space will be met. For example, the feasibility of using some of the urban bus terminal site for light industrial development could be explored.

Recommendations:

UDC and AID should amend their existing Loan and Grant Agreement to reflect the changes in the scope of work and budget for the UDC component. The PACD should be extended to September 28, 1994, at no additional cost to the U.S. government.

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