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Public-Private Partnerships in Urban Development in the United States

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I. Introduction

A. Purpose of the Study

US-American Cities have gained experiences with urban development partnerships since the Urban Renewal Program in the 1950's. The partnership model is a widespread and overall used approach in urban development in the US and has affected particularly development in Central Business Districts (CBDs) for around 40 years. The purpose of this study is to examine partnership approaches in urban renewal and urban development projects in the US. The study looks at how important public-private partnerships have been in city planning and how they have affected urban revitalization in the US. In the first chapter I discuss the reasons for public-private partnership building in the US while taking social, political, and economic circumstances into account. In the second part the analysis attempt to define distinct types of partnerships that have developed since their emergence in the 1950s and particularly in the boost years in the 1980s.

To develop an understanding of public-private partnerships in the US, it is useful and necessary to explore the forms these processes have taken, their legal structure, primary sources of funding, and their leadership arrangements. This leads to consideration of specific strategies and planning tools that have been used by development partnerships. The study attempts to catalog specific partnership activities. The proposed classification of public-private partnerships is based on three factors that strongly reflect different types of development partnerships to my mind. The first component, and in many respects foremost, is the involvement of the public sector regarding financing of specific partnership projects and provision of financial or not primarily financial incentives in order to attract private investment. A second factor refers to the organizational structure of partnerships in terms of formal agreements. Third, chief objectives of cooperative efforts including partnerships spatial foci are considered as well.

The third part of this paper represents the empirical part of the research. Here, partnership approaches in three cities in Southern California are analyzed. In this regard, public-private cooperation caused by redevelopment and the Business Improvement District program (BID) are discussed. The objective of the latter chapter of the study is to provide a summary of the research. Beside a summary of the results of this study I attempt to highlight new trends in public-private partnership approaches in urban development based on literature research and interviews with city staffers.

B. Methodology

To discuss the complex subject of public-private partnerships in urban development, I review US-American literature in the first part of my study. As the examined term public-private partnership is defined by different scholars in a different way, I have to define terms precisely, so as to proceed with a common vocabulary.

For the empirical part of my study I chose Santa Ana, San Diego and Los Angeles as case studies. Whereas San Diego and Los Angeles are big cities in Southern California, Santa Ana is a medium-sized city with over 300.000 people. Hence, it is intriguing to compare partnership strategies in urban development in different types of cities. Since I didn't get sufficient data and information from the Los Angeles Community Redevelopment Agency (CRA) about partnership projects and activities, I focused my research on Santa Ana and San Diego.

As follows from my research description, the evaluation of statistical data is not pertinent to my study but the examination of complex procedures and specific strategies. That explains why I primarily used qualitative research methods for my research. The research methods encompass reviewing of documents, development agreements and other contracts, self-projections, and analyses. Furthermore, I conducted interviews with city staffers and a developer pertinent to my project. Additionally, I drew up a questionnaire to Business Associations in order to get information and data on Business Improvement Districts (BIDs). Since public-private partnership is not a precisely defined planning procedure, the examined development projects and methods tend to be different and therefore require a explanation in advance.

II. Partnership Models in the United States

Public-private partnerships may be found in all sizes and varieties of US-American cities. Public-private partnerships were critical for the rebuilding of downtown in virtually all big cities. Cities without partnerships are now the exception rather than the rule. The highly visible downtown redevelopment projects in the US were sponsored by partnerships including Philadelphia, Baltimore, Pittsburgh, New York and so forth. Public-private partnerships have increasingly been perceived as key for urban revitalization in U.S. cities. Wagner, Joder and Mumphrey, for example, conclude in their research about development strategies in central city revitalization that public-private partnerships are one of the main factors that are advisable for successful central city revitalization (Wagner, F. W.; Joder, T. E.; Mumphrey, A. J., 2000). Baltimore's Charles Center/Inner Harbor development is frequently cited as a model of public-private partnership and public entrepreneurship (Barnekov, Boyle and Rich 1989). Both projects are "massive downtown urban renewal projects" (CED, 1978:220) jointly planned and constructed by the City of Baltimore and the business community. Responsibility for planning and implementation was divided between the two sectors. The partnership for management and marketing of the projects were institutionalized through the Charles Center-Inner Harbor Management, Inc., a project-orientated private nonprofit corporation.

A. Reasons for Partnership building in Urban Development and Evolution of the Partnership Idea

To describe the evolution of public-private partnerships, it is useful to discuss distinct periods of development in conjunction with overall urban development trends. In the first part of this section I intent to discuss the emergence of public-private cooperation in the context of general urban development trends. Subsequently, I deal with significant urban policy tacks that contributed to public-private partnership building.

After World War II fundamental changes of urban social and economic patterns were taking place and affected the development of cities substantially. The deindustrialization struck many cities particularly those in the rustbelt while at the same time laying the groundwork for public-private cooperation. But public-private partnerships are not only a phenomenon in rustbelt cities but in sunbelt cities as well. Here they have been a significant component of urban growth. A far-reaching suburbanization process began in US-American urban areas in the 1940s and it caused a dramatic loss of population in central cities. Middle class whites migrated to suburban towns surrounding central cities. This trend was strengthened by state freeway programs that drew more people to the suburbs and affected the character of central cities substantially. Moreover, the national economy changed significantly in the 1950s and 1960s and contributed to a fundamental change of the urban economy from one dominated by industry and manufacturing toward a service-oriented economy base. Central cities were heavily affected as industry and retail markets began moving to the surrounding suburbs. The retail picture in downtown areas worsened as suburban regional shopping centers thrived. As a consequence of decreasing population and employment opportunities central cities began showing threatening signs of decay. The multifaceted out-migration triggered deteriorating social and economic conditions in central cities and led to a general urban crisis of US-American cities. Cities became increasingly dependent on grants and aids as fiscal bases declined. Cities urgently needed to retain and attract businesses and industry and to lure shoppers back from the suburbs.

The challenges for cities have been substantial and therefore have caused a number of new problem solving strategies. The problems and challenges have caused "new directions in urban management" (Clagget, W. E., in: Fosler, 1982:287) that have triggered public-private cooperative activities. Thus, the restructuring of the economy constrained public resources while at the same time encouraging partnerships between the public and private sectors. Therefore, partnership building can be considered a necessity due to urban economic and demographic shifts and cutbacks in government funding that hit cities dramatically.

Fiscal distress was unquestionable a substantial factor that have encouraged the surge of public-private partnerships in the US particularly since the 1970s. As Cummings, Koebel, and Whitt noticed, "[p]ublic-sector partners do not have the political or financial flexibility to allow them [private sector partners] to walk away from the negotiation table. If market forces have driven the downtown into deterioration, local officials do not have access to the money or the power to finance urban redevelopment by themselves. In order to generate the capital and political commitment to a major urban development program, the public sector must forge some type of relationship with private developers, investors, and speculators" (Cummings; Koebel; Whitt, in: Squires, 1989:216).

Economic decline and the urban crisis also stimulated the formation of public-private partnerships in urban development in Germany. The *Ruhrgebiet* in the State Nordrhein-Westfalen can be considered an excellent example for the economic-driven theory of public-private cooperation. The Ruhrgebiet is an old-industrial region that strongly depended on heavy industries. Due to the deindustrialization beginning in the late 1970s the region has experienced a dramatic decline. Cities such as Oberhausen, Essen, Bochum, and Duisburg have suffered in particular since they have increasingly been characterized by brownfields and derelict buildings even in central city areas.

The public-private partnership model in the US was developed as a policy tool during the Carter administration. In conjunction with the accelerating urban crisis the Carter administration, for the first time, "articulated a national urban policy that encouraged public-private partnerships and targeted federal aid specifically to improve the economic base of distressed central cities" (Lyall, K. C., in: Fosler; Berger, 1982:52). Thus, the impetus for partnerships came significantly from the White House as well as state houses throughout the country. "Since 1978, public-private partnerships have been increasingly seen as legitimate and effective tools for achieving a number of public purposes. Virtually every major United States city has had redevelopment programs mounted, at least in part, through successful and increasingly sophisticated partnerships" (Lyall, K. C., in: Davis, P., 1986:9). In the late 1970s all levels of government shared the idea that the heightened urban problems could not be addressed by government alone but only with the support of the private sector. In fact, President Carter made public-private cooperation the centerpiece of his national urban policy in 1978.

"Focused, coordinated and sustained public investment in distressed urban areas is required to compensate for the increased risk of private investment in these areas. [...] Federal and State governments must have at their disposal a full array of incentives to foster business activity in distressed places [...]" (The President's Urban and Regional Policy Group Report, 1978:II-9).

Partnerships have appeared to be an appropriate tool to attack social and economic restructuring problems of cities by "integrating capital, leading sectors and favored social groups in specific locations" (Newman, P.; Verpraet, G., 1999:488). Public-private partnerships have been supported by city officials in efforts to attain and institutionalize involvement of the private sector in cities (Stephenson, M. O., 1991:111).

Encouraging private enterprise to solve public problems was one of the big ideas for government in the late 1970s and 1980s. City entrepreneurship and public-private partnerships were part of this tack in public urban policy. (Frieden; Sagalyn, 1989:216). The Carter Administration aggressively promoted public-private cooperation through its Urban Development Action Grant (UDAG) program. UDAG was launched in 1977 and was designed to help stimulate economic development in cities in a way that CDBG could not achieve. The UDAG program served as the basic instrument for the Carter administration for leveraging private investment for local economic development. In essence, UDAG explicitly required private sector investment (see II.2.C).

Joint public-private ventures had a boost in the 1980s as public-private partnerships were fostered by the Reagan Administration. Reagan brought about fundamental changes in urban policy. His policy rested on three basic pillars: (1) national economic recovery, (2) 'New Federalism' that aimed at devolution , and (3) greater local self-reliance and responsibility (Ledebur, L. C., 1984:192). The concept of a 'New Federalism' of the Reagan administration transferred responsibilities for urban revitalization to local governments. Local entities had to come up with new approaches to search for funds and financing methods. Public-private partnerships met the need for new innovative approaches in urban development with regard to Reagan's policy demands. The differences between 'new' partnerships in the 1980s and previous partnerships in the 1950s until 1970s lay in the "need for local governments to innovate in ways that did not involve the federal government and that therefore required a greater share of private participation" (Lyons, T. S.; Hamlin; R. E., 1991:57). While cities had to compete increasingly with another, they became more entrepreneurial. Due to Reagan's urban policy, so-called entrepreneurial cities emerged since entrepreneurial strategies have become more important in municipal politics.

In California an additional factor contributed to public-private cooperation in urban development. Proposition 13 in 1978 limited property tax increases of municipalities almost overnight. Accompanied by federal cutbacks, local governments in California had to search for new ways of revenue raising and financing development. In essence, cities began to raise additional revenue by becoming active partners in real estate development.

In sum, public-private partnership has been considered a critical catalyst for urban economic development. The partnership concept were popularized initially by the Carter administration which announced a 'new urban policy', entitled 'A New Partnership to Conserve America's Communities' in 1978 and then by President Reagan's 'New Federalism' accompanied by dramatic federal cutbacks in urban programs. Hence, the preceding discussion illustrates a clear link between the social and economic fragmentation of cities and public-private partnerships as a form of urban governance.

B. Public-Private Partnerships defined

In this chapter I seek to define partnerships in greater detail. The partnership concept suffers from problems of general application. Thus, one is left with certain basic characteristics of public-private partnerships such as shared risks and benefits among participants since partnership definitions are neither conceptually neat nor empirically rigorous. (Haider, D. in: Davis, P. 1986:139). Moreover, there is no general model of public-private partnership but rather a range of possible models since each development partnership has to be tailored to different local circumstances (Bennett; Krebs, 1991:82). The word public-private partnership has increasingly applied to many initiatives and a wide variety of meanings. As there is no binding definition, analysts employ the term public-private partnership differently. Consequently, this may cause misunderstandings and disagreement. For example, though the federal urban renewal program (1949-1974) is widely considered an early model of public-private partnerships in urban development in which local governments undertook actions for land management to develop conditions sufficient to lure private investment into inner cities (Squires 1989, Levine 1989, CUED 1978, Lyons and Hamlin 1991, Barnekov; Boyle and Rich 1989), some scientists, however, object to this view. Stephenson doubts this assumption since the public sector depended entirely upon the private sector in urban renewal development projects. He asserts that a partnership “implies a dynamic interactive collaboration between sectors” (Stephenson, M. O., 1991:111).

With the boost of public-private partnerships in urban development in the 1980s literature about public-private partnerships increased as well. As a consequence, public-private partnership has been an “abused” and “overworked” term in the US particularly in the 1980s (Whelan, R. K, 1989:236). Discussions of urban partnerships are based on different perceptions. Some scholars (Fosler; Lyall; Davis) consider public-private partnership a broad political alliance between city hall or the mayor and the business community on the other hand in order to achieve collaborative efforts to revitalize cities for mutual benefit. Accordingly, public-private partnerships are regarded as a continuous process, “requiring a stable network of interpersonal relationships developed over a considerable period of time” (Lyall, 1982:52). In this regard, public-private partnership is a multisectoral coalition rather than a development agreement. An example for such an urban coalition is the “Chicago Central Area Committee” that was founded for the improvement of Chicago’s CBD. But even the description of partnerships as processes is not homogenous in the literature. Whereas Lyall refers to working relationships between public officials and mayors with business associations that have developed, for instance, in committees or through informal structures, Hamlin and Lyons, however, consider the term process as the “total vehicle for making the project happen” (Hamlin, R. E.; Lyons, T. S., 1996:172). Here, the word process goes beyond organizational structures.

But public-private cooperation does not necessarily develop and grow as the term process assumes. Cooperative arrangements have also been drawn up in response to specific urban problems in single development projects. Public-private cooperation based on development agreements or public sector provisions of subsidies and incentives to developer are described as public-private partnership by some scholars (Krumholz). Even enterprise zones are considered to be public-private partnerships by proponents of this premise (Collman 1989, Wolf 1990, Haar 1984) as the public sector offers tax incentives to businesses in special geographical areas. Accordingly, the term public-private partnership is based on a broad definition that encompasses a wide variety of partnership activities.

By and large the word public-private partnership embraces three meanings in terms of institutionalization. First, analysts refer to public-private partnerships when speaking about informal multi-sector relationships usually in efforts to draw up plans for downtown revitalization. Second, scholars use the term to describe public-private deals and agreements.

In that case partnerships are “deal specific” and are only struck for special development projects. Finally, public-private partnerships are described as organizations (Ledebur 1984:204). In this way, partnerships are based on institutional commitments including downtown development corporations, economic development corporations or committees. Stephenson notes that “when institutionalized, public-private partnerships have typically been project or deal driven” (Stephenson, M. O., 1991:125).
Some authors do not use an exact definition of public-private partnership ahead of their discussion of public-private cooperation issues. Others define their perceptions of public-private partnerships more or less precisely and comprehensively from a scientific point of view. To come up with a definition of public-private partnership, however, it may be helpful to define partnerships from a law point of view at first and then apply this definition to urban development. According to Friedman a partnership is:

“An agreement between two or more entities to go into business or invest. Either partner may bind the other, within the scope of the partnership. Each partner is liable for all the partnership’s debts. [...]” (Friedman, J. P. 1997:249).

As each partner is liable for the debts, this kind of partnership is called ‘mixed partnership’ (Hamlin; Lyons, 1996:31). Another form of partnership may be a ‘limited partnership’:

“[...] in which there is at least one partner who is passive and limits liability to the amount invested [limited partner], and at least one partner whose liability extends beyond monetary investment [general partner]. “(Friedman, J. R. 1997: 149)

A general partner is an entrepreneur and manager, while the limited partner is a passive investor. A limited partnership must have at least one general partner. Consequently, for a partnership to exist, two or more partners need to engage in business together and share the profits. How can this simple concept applied best to development partnerships as a special form of partnerships?
Public-private partnerships are often defined too narrow as the definitions do not consider important elements of public-private cooperation. The definition by Leithe and Joseph can be used as example:

“A pubic/private partnership can be defined as an activity undertaken by government and business to provide public services that either entity finds impossible or less economical to perform on its own” (Leithe; J., 1990: 105).

Indeed, it is important to mention that public-private partnerships are a trade-off between the participants in order to pool resources and certain abilities in a development project that the partners could not have carried out alone. But Leithe and Joseph speak only about provision of public services. Therefore they only take various forms of privatization used to finance local government needs such as contracting out into account. Important components of partnership activities in urban development such as public subsidies for private projects or co-development accompanied by negotiated public benefits are not included.
The most cited definition, however, is the one formulated by the Committee for Economic Development (CED) in their ground-breaking publication ‘Public-private partnerships. An Opportunity for Urban Communities’:

“Pubic-private partnership means cooperation among individuals and organizations in the public and private sectors for mutual benefit. Such cooperation has two dimensions: the policy dimension, in which the goals of the community are articulated, and the operational dimension, in which those goals are pursued. The purpose of public-private partnership is to link these dimensions in such a way that the participants contribute to the benefit of the broader community while promoting their own individual or organizational interests." (CED, 1982:2)

In a pioneering study of coordinated economic development in 1978, the National Council on Urban Economic Development (CUED) defined public-private cooperation in urban development as follows:

"Collaboration on a joint public/private development project involves the timely sharing of resources and expertise and the coordination of activities. In essence, it is a negotiated business deal in which trade-offs are made, and risks, benefits and profits are shared. It is a multi-faceted process structured to fill gaps in the local investment climate, such as unavailability of capital, problems with land assemblage, high taxes and potential weak demand for the project. " (CUED, 1978:197)

Both definitions reflect the aforementioned differences in the understanding of public-private partnerships. The CED stresses that partnerships are 'cooperative' and entail mutuality of goals and benefits that contribute to the benefit of the broader community. Public-private partnerships are broadly defined where cooperation can take several forms including public incentives to facilitate private activity and joint development ventures. The CUED, however, views collaborative processes in joint ventures more precisely as shared commitment of investment, risk, and liability based on a negotiated business deal. Moreover, the CED considers pubic-private partnership as a too altruistic form of multisectoral cooperation since partnerships have not served mutual and community goals in a lot US-American cities.
Perhaps the most precise definition of public-private partnerships in urban development is the one by Hamlin and Lyons:

"Defined broadly, it [public-private partnership] describes an innovative set of activities in which the public interest and private investment return are mutually pursued by a variety of mixed, collaborative entities. In reality the partnership is more a process than an organizational structure. [...] Public-private partnerships often mean governmental involvement to perfect the real estate market by mitigating urban externalities so as to free the natural process of urban renewal and development. [...] The concept as defined broadly in the United States includes a spectrum of relationships between organizations for the establishment and pursuit of mutual goals. It is not limited to normal legal or financial partnerships." (Hamlin, R. E.; Lyons, T. S., 1996:168)

The cornerstones of public-private partnerships in urban development summarized from the different definitions above are the following: (1) pooling resources through joint investments, risk, and liabilities, (2) negotiations among participants, and (3) cooperation and mutuality though partnerships have often not shared common or broader community goals.
Partnership is defined in this paper as cooperation between the public and private sectors, usually based on formal agreements, sometimes informal as well, to work together towards specific urban development objectives. Public-private partnerships can be understood analogous to business partnerships with profit and risk sharing, general partners and limited partners, and different roles and different objectives for those that are responsible for developing strategies and those responsible for implementing it. The partners may act as equal participants, however, equality is an ambitious ideal that can rarely realized in practice.
To conclude, the word public-private partnership is often used more broadly than the project-oriented approach as a loose term for a variety of types of cooperation. There are many forms of public-private cooperation in urban development ranging from task forces, formal organizations, corporations and even direct subsidies from public entities to private corporations or property owners have been described as public-private partnerships. Partnerships may be long-lasting relationships between the public and private sectors, ad hoc committees or joint development ventures. In some cases the term public-private partnership is used so broadly, that only imagination limits its definition and therefore the word

partnership connotes relationship since the legal definition of partnership is by no means applicable.

C. Periods of Public-Private Cooperation in the US

Collaborative approaches have been essential to urban revitalization since the 1950s. Federal urban programs that foster public-private cooperation in urban development have been the following: Urban Renewal Program (1949-1974), Community Development Block Grants (CDBG) as grants to cities for a wide range of development and revitalization uses (since 1974), the terminated Urban Development Action Grants (UDAG) which were provided to cities to support commercial industrial projects, and Section 108 that provides loan guarantees for cities. All programs were or are still offered by the Department of Housing and Urban Development (HUD). Urban renewal is in retrospect strongly associated with downtown revitalization.

1. Urban Renewal Partnerships

Initially, urban renewal was conceived as housing program but turned “into a major tool for subsidizing and assisting private-sector commercial and industrial projects in American cities” (Eisinger, 1988:93). A key aspect of postwar urban renewal was the use of public resources to support redevelopment of CBDs. The private sector was subsidized by urban renewal in form of write-downs of land sold or leased to developers. Through HUD Washington offered grants to city governments to meet the cost of public subsidies in support of renewal processes. As a result, federal resources were essential to early public-private partnerships in urban development. The local urban renewal authority might use eminent domain to purchase a site. It then contracted to have the site physically cleared and prepared for the sale to a potential developer. Usually the price was considerably lower than the developer would have to pay in the private market. The difference between the costs for purchasing and clearing the site for the redevelopment agency and the received sales price for the site is called ‘write-down’. Furthermore, local governments fostered economic development by providing infrastructure and granting tax benefits to developers. The private developers or investors in return promised the purchase of particular land parcels and to built for example a hotel. General obligation bonds were the most used long-term debt by municipalities in order to finance redevelopment projects.

In short, urban renewal provided lucrative opportunities for private developers and investors since developers were provided with public subsidies. The program aimed at public-private cooperation as it was designed to offer substantial incentives to private developers to build within the project areas. Kleinberg concluded that urban renewal was “an intergovernmentally decentralized program federally subsidized to support redevelopment”, while it was also “an intersectoral program connecting public and private sectors in a government-business partnership for redevelopment.” (Kleinberg, B., 1995:143) Thus, urban renewal depended highly upon close cooperation with private developers and investors. Urban renewal focused considerably on economic goals and therefore can be described as business-oriented approach to urban revitalization at the expense of social achievements. Additionally, an innovative institutional approach was launched since local renewal agencies were separated form public housing agencies in most cities following the viewpoint that urban renewal should have its first priority on economic revitalization and the reconstruction of downtown and its CBD

(Kleinber, B., 1995:145). Moreover, nonprofit development corporations were established such as the Charles Center/Inner Harbor Management Corporation in Baltimore in 1965.
Urban renewal partnerships are described as ‘arm’s length partnerships’ between the public and private sectors. Due to the fact that “[f]ederal rules for urban renewal directed a sharp separation between city renewal agencies and developers. The city was responsible for planning a project and carrying it forward until the land was cleared and ready for new construction. [...] Developers had no role at all during the advance planning” (Frieden; Sagalyn, 1989:43). Cites had to make plans for cleared sites, but often they were unable to find developers to buy the land and carrying out the development project. Thus, developers were excluded from the planning process. Their job was to take over projects perceived by city staffers and to get them built. The poor public-private sector cooperation during planning processes led to significant negative impacts on urban structures. This was the case for instance in Saint Paul when in the late 1960s and early 1970s several blocks were cleared. City staff prepared comprehensive plans for this area, but eventually no development proposal could meet the desired density and mixture of uses while still meet financial feasibility. As a result of this planning mistake, the cleared blocks stayed vacant in the 1970s and the area became known as the “superhole”. (Brandl, J.; Brook, R., 1982:189). This example illustrate the insufficient arm’s length multisectoral partnerships that excluded the project planning process.
Urban renewal partnerships as early examples of intersectoral partnerships in urban development focused on massive, visible brick-and-mortar development projects in downtown that “showpieced public-private experiments in central-city revitalization” (Haider, D., 1986:139). The clear spatial priority of public-private partnerships on downtown and its CBD as well as the fact that redevelopment was exclusively physical is due to the chief role of business executives in redevelopment. Downtown coalitions had built strong alliances to rebuilt downtown and capture federal funds. The thrust of public-private partnerships is the so-called ‘downtown-corporate strategy’ that means shaping downtown areas into centers of corporate headquarters with banking, professional support services, office buildings, and hotels.
To conclude, this kind of partnership had four main characteristics (Levine, 1989:19-21):

- Public-private partnerships were governed by local corporate committees such as ACCD (Allegheny Conference on Community Development), GBC (Great Baltimore Council) whose chief goal was to revitalize CBDs;
- Public-private partnerships were stimulated by federal monies through the Urban Renewal program. This approach- using public dollars to ‘leverage’ private investment- became a cardinal principle of public-private partnerships;
- Autonomous redevelopment agencies emerged as new instruments of urban governance. Public financial and land use powers including eminent domain and resource allocation were used by those entities. In some cities even private development corporations were established;
- Public entrepreneurship with profound support of the mayor (entrepreneurial mayors).

Cities underwent urban renewal particularly in the 1960’s and 1970’s until the program’s termination in 1974 through consolidation into CDBG. CDBG is a legacy of the Nixon administration though it was signed into law by then-president Ford. CDBG consolidated seven former programs, the most important of which were Urban Renewal and Model Cities. By and large urban renewal partnerships were extremely project-oriented given the business community a special role. The public and private sectors had separate roles. Therefore, partnerships in that time are considered as arm’s length partnerships. “The urban renewal program depended upon a complex intermixture of private initiative and public authority”

(Barnekov, T.; Boyle, R.; Rich, D., 1989:39) Urban Renewal was a new instrument that combined the powers of the public sector with the development resources of the private sector. The success of urban renewal depended upon the partnership between the public and private sectors. The model for business initiative in urban renewal was the Allegheny Conference in Pittsburgh. Urban redevelopment partnerships with a combination of private influence and public resources to rebuild the downtown area became a common model for US-American cities (Barnekov, T.; Boyle, R.; Rich, D., 1989:42).

2. Post-Urban Renewal Partnerships

Post-urban renewal partnerships increased sharply at the end of the 1970s and 1980s. In contrast to urban renewal partnerships the scope of public-private partnerships became broader and more expansive (Lyall, K. C., 1986:9). Public-private partnerships have been launched as policy tool by the Carter administration in its National Urban Policy in 1978 (Lyall, K. D., 1986:12). The boost of public-private partnerships in urban development at that time, however, is due to cutbacks in federal monies especially since the Reagan administration. As a consequence, multisectoral commercial development projects became more important due to shrinking public budgets and the search for new public revenue sources. Joint public-private ventures were fostered explicitly by the Reagan Administration. "In the context of heightened intercity competition for private investment, municipal governments became entrepreneurial, providing an extensive web of subsidies and incentives to developers, and often becoming co-developers of risky redevelopment projects" (Levine, M. V., 1989:12).

Historically, local governments fostered economic development by providing infrastructure and granting tax benefits. However, a fundamental change in this pattern took place. Partnerships of public and private entities have undertaken investments for mutual benefit, and semipublic corporations have acted as initiators and implementers of development projects. Lyall states that there have been noticeable changes in the structure of public-private partnerships (Lyall, K. C., 1982:52-53). She argued that the concept of public-private partnerships has become more "sophisticated" and the projects themselves have become "more complex financially and managerially and require more flexibility". Those kind of partnerships have involved more than an exchange of resources and privileges. Cities even share the costs and risks in joint development projects. Levine similarly argues that public-private partnerships "differed from the earlier versions mainly in the expanded scope and complexity of their activity, and in the increased public resources and power that were made available to support private development (Levine, M. V., 1989:22)."

Cooperative planning and action extended the arm's length urban renewal partnerships. "The arm's length transaction is pretty much a thing of the past; we are now creating joint ventures of immense complexity utilizing the assets of both the public and private sectors to make something happen which neither could do alone" (Millspaugh, M. cited by Lyall, K. C., 1982:53).

A growing number of municipalities have become active partners in real estate development since the 1980s. Cities "seek to cash in on their real estate assets, just as private corporations do. Many become equity partners in real estate ventures- or, by issuing infrastructure bonds, become 'silent' partners" (Fulton, 1987:6). Cities seek to generate profits. By doing so, however, cities risk controversy and litigation. Local government borrowing for financing private nonprofit and profit facilities through revenue bonds rose sharply in the 1970s. Thus, cities have avoided voter approval because this kind of bonds are not guaranteed by the issuing government because anticipated future revenues from the facility are used to pay back the bonds. One can conceive a growing injection of private funds into public activities including financing of public infrastructure and flows of public money into private ventures on the other hand (Collmann, 1989:5). Moreover, the acquiring of equity positions in private projects serving no public purpose has being taken by many localities. Collmann speaks about the growing commingling of private and public funds (Collmann 1989:145).

Due to the active involvement of cities in the real estate market, cities duties of comprehensive planning weakens in favor of deal making and compromises with developers and investors. City planning and real estate market have become more intertwined (Fulton, 1987:7). Fulton describes this tack as a " sophisticated version of urban renewal" since instead of "subsidizing developers to persuade them to build, as they did in the 1960s and 1970s, cities are demanding a piece of the action for their entrepreneurial efforts (Fulton, 1987:7)." A shortcoming occurs when deal-making and revenue raising are favored and planners become real estate agents at the expense of sound land-use planning.

One of the fundamental objectives of the public/private marriage may be to spread the risk and costs of development among a larger number of participants. Shared benefits are to add as the public sector has embarked on negotiations for public benefits (compare: Sagalyn, 1997). Another important component of post-urban renewal partnership is its formalization. Partnerships have achieved formality through contractual agreements, including public documentation of partnership agreements and specification of the expectations and responsibilities of each partner.

To conclude, post-urban renewal partnerships are characterized by: (1) sharing development risk and financial obligation, (2) creative financing techniques with an array of subsidies, loans, loan guarantees and so forth ass well as complex arrangements of public and private financing, (3) equity involvement of the public sector in joint development projects, (4) increased reliance of cities on tax incentives to stimulate private investment, (5) municipal borrowing through tax-exempt bonds, and (6) entrepreneurial development with private mavericks and public entrepreneurs. Partnerships for commercial redevelopment, so-called economic-development partnerships, have dominated like in urban renewal partnerships with the intention to generate taxes. That trend can best be illustrated by high-rise office complexes, hotels, and convention centers which have increasingly being built since the 1980s. Instead of employing exclusively federal aid to solve urban problems, solutions now were sought in partnerships with the private sector that were suited to make the best use of shrinking funds from state and federal governments. The comparison between earlier approaches of public-private partnerships in the 1950s and 1960s with the new era of public-private partnerships beginning in the late 1970s and 1980s has shown that public-private partnerships have strongly increased and on the other hand have changed significantly in qualitative terms.

a) Redevelopment and Tax-Increment Financing

Redevelopment has been popular among cities nationwide since the late 1970s since it is a tool designed to facilitate real estate investment in targeted areas. The roots of redevelopment clearly lie in the federal urban renewal program (see chapter II.C.1). As redevelopment differs from state to state, I will focus my analysis on California since my case studies in the following third chapter are in California as well.

Redevelopment in California is based on the California Community Redevelopment Act, which was enacted in 1945 and renamed the Community Redevelopment Law (Health and Safety Code, § 3300 et seq.) in 1951. Most importantly, tax increment financing (TIF) was introduced with the Community Redevelopment Law. This new financing technique allows redevelopment agencies to “receive and spend property tax revenues from the increase in assessed value that has occurred after adopting a redevelopment project” (Beatty, D. F. et al., 1995:5). After the wipeout of the federal urban renewal program TIF became very important in other states as well. TIF can be considered a reaction of local governments to federal government departure in urban issues.

TIF have become increasingly attractive to municipalities since local governments can finance land management and public improvement with TIF bonds backed by future tax increments. Moreover, the issuance of TIF bonds don’t require voter approval and subsidies can be targeted to special TIF districts (TIFS). That explains, why TIF has become one of the leading downtown strategies. In this connection, redevelopment and TIF depend highly on the success of the private sector. TIF is so popular since municipalities use it without raising taxes. In California it allows the floating of revenue bonds and avoid restrictions on general obligation bonds imposed by Proposition 13. San Francisco, Los Angeles and San Diego have used TIF particularly in downtown.

As the addition of Article XIII.A to the California Constitution in 1978, called the Proposition 13, considerably reduced property tax revenue of local governments and redevelopment agencies in California as well as eliminated general obligation bonds, TIF became the principle source of financing of redevelopment projects. According to Eisinger, California is the state in which TIF is most widely spread (Eisinger, P. K., 1988:185). The decrease in property tax revenue led cities to compete for development that generate high sales taxes such as auto malls, shopping malls, and ‘big box’ retail developments. Whereas redevelopment used to be an urban development tool of large cities, it has spread to medium-sized and small cities as a result of decreasing property tax revenues.

The Community Redevelopment Act and later the Community Redevelopment Law give every city and council in California the authority to establish redevelopment agencies. Redevelopment agencies are unique among public agencies since in order to achieve goals of revitalization they must rely upon cooperation with the private sector. Therefore, virtually everything what redevelopment agencies have done is a partnership with the private sector.

The following tools give redevelopment agencies essential power to influence urban development (Beatty, D. F. et al., 1995:1-2):

- The authority to buy real property including, if necessary, the power to use eminent domain (traditionally, eminent domain could be used only for public purposes);
- The authority to develop property (but not to construct buildings);
- The authority to sell real property without bidding;
- The authority and obligation to relocate persons who have interests in property acquired by the agency;
- The authority to finance their operations by borrowing from federal or state governments and selling bonds;
- The authority to impose land use and development controls pursuant to a comprehensive plan of redevelopment.

There are three options regarding the organization of redevelopment agencies: First, the city government may establish itself as the governing board of the redevelopment agency. Second, the city government may establish a separate governing board of the redevelopment agency. Or third, the city government may establish a community development commission (Beatty, D. F. et al., 1995:15). The vast majority of cities in California has appointed the city council as governing body of the redevelopment agency. But an redevelopment agency is always a separate legal entity from the city. That means, that there is a clear legal distinction between the city council and its redevelopment agency (Beatty, D. F. et al., 1995:19).

Fulton stresses that there “is simply no other planning tool in California that gives local governments such sweeping power [...]” (Fulton, W., 1999:246).
To conclude, since federal urban programs have dropped remarkable and Proposition 13 in California further diminished the ability of local governments to pay for needed infrastructure, cities have few alternatives to redevelopment activities.
TIF has been used as financial tool for infrastructure improvements especially in downtown by cities of all sizes. Common redevelopment projects have been: (1) the improvement or expansion of an existing shopping center through, for instance, redesigning and reconstructing a nearby freeway interchange and improving access, (2) the improvement of CBDs in cooperation with downtown business owners, and (3) encouraging more nighttime uses in downtown and provide parking for daytime shoppers. As we have seen, redevelopment provide an essential framework for public-private partnerships in the US. In this connection TIF is an important financial tool that have backed public-private development financing. A TIF redevelopment project has to pay for itself. Through the issuance of tax increment bonds local governments have provided ‘up-front’ financing. Since TIF and the financing of redevelopment projects depend on private sector investment, plans and agreements are, in contrast to urban renewal, in accordance with the need of the business community.

b) Institutional Innovation Partnerships have brought about

Discussing redevelopment including TIF in the preceding section I already mentioned redevelopment agencies as institutional innovation in the 1950s and important instrument for public-private cooperation in urban development. Another essential tack toward public-private partnership building in urban development in the US was the establishment of quasi-public and quasi-private organizations.
Public-private development institutions were new launched in urban redevelopment in the late 1970s for carrying out development projects. They have been formed to join the public and the private sectors as well as to pool resources more efficiently. The combination of both public and private representatives on the same task force or corporation “represents a major shift from traditional public/private relationships” (CUED, 1978:165). The development and use of a new kind of public-private development institution have unquestionable been contributed to joint public-private development projects. Public-private institutions reflect the institutionalizing process of public-private partnerships. The establishment of formal institutions have occurred at both the planning and implementation levels (CUED, 1978:166). Joint planning institutions include committees to set up new development policies. Joint institutions with implementation capacities are quasi-public corporations or private development authorities.
“These organizations can be either quasi-public corporations that exercise public powers and authority to use special financial tools provided through federal, state, and local governments or independent, usually nonprofit corporations established under general nonprofit corporation law serving public purposes with boards made up of public- and private-sector representatives” (CED, 1982:43). Development Corporations provide a specialized service to the city on a contractual basis in contrast to city agencies which serve a permanent function (Lyall, 1982:40).
Quasi-public corporations, nonprofit development corporations, and economic development corporations are organizations with delegated powers and responsibilities from both sectors that has been growing since the 1980’s (compare: Lyall, K. C., 1986:12). In quasi-public entities public-private negotiating has taken place, actually beyond conventional public entities. This corporations had and still have extraordinary powers traditionally reserved for

public entities such as land assemblage and condemnation, bond issuance, administration of grants and loans, and provision of investment inducements such as tax abatements. The advantages of quasi-public corporations are the following: First, they have professional staff. Second, they are the semi-independent development arm of the city (Barbour, G. P., 1982:229) with an separate budget. Third, they can contract for construction without competitive bidding (Lyall, 1982:50). Forth, they are more flexible than city agencies since they act relatively independent of local government supervision. Fifth, powers of quasi-public development institutions such as downtown development authorities include eminent domain, selling tax-exempt revenue bonds, ability to receive revenue from the sale or lease of property (compare: CED, 1978:168).

Examples for quasi-public corporations are the 'Center City Development Corporation' (CCDC), a nonprofit development corporation in San Diego, and the 'Economic Development Corporation of San Diego County' (EDC).

Advantages of private development corporations are the following: First, they are independent from the local government. Second, they are not constrained by certain restrictions imposed on local governments. Third, they have powers that are not allowable for public entities such as real estate acquisition, equity investments and loans. Forth, they are financial independent of the city budget. Last, they have professional expertise.

In addition to establishing new development institutions, public-private partnerships have contributed to the reorganization of existing departments and agencies. For instance, the "Department of Planning and Economic Development (PED) was created [in Saint Paul] to consolidate four separate agencies. Under the direction of the mayor and city council, PED could respond as one agency to such developer's needs as zoning, financing, project coordination, and management" (Brandl, J.; Brook; R., 1982:184).

To sum up, development corporations were formed explicitly for facilitating public and private sectors cooperation. Quasi-public, nonprofit development corporations are run like private corporations but empowered to receive and spend public and private money. They have special authorized powers such as eminent domain and issuance of tax-exempt revenue bonds. As a consequence, it has become less clear over time what is public and what is private due to separate development entities. Development corporations were increasingly used by local governments since the 1970s and each has had its own combination of public and private participants and funding arrangements. Due to the powers of development corporations in contrast to public entities, the city through the development corporation could act as an investor and risk taker in partnership with the private sector.

c) UDAG Program and Public-Private Cooperation

UDAG was launched in 1977 and was designed to help stimulate economic development in cities in a way that CDBG could not achieve. Like urban renewal, the focus of UDAG was on physical redevelopment as a means to local economic development. But their were significant differences that generated UDAG partnerships in urban development. This section describes the UDAG program and its contribution to public-private partnerships in greater detail

The UDAG program served as the basic instrument of the Carter administration for leveraging private investment for local economic development. In essence, UDAG explicitly required private sector investment. As Eisinger states, the "insistence on a prior guarantee of private sector investment distinguishes UDAG from all previous federal economic development programs" (Eisinger, 1988:114). "HUD regulations set a minimum leveraging ratio of 2.5 private dollars to every 1 UDAG dollar" (Eisinger, 1988:120). Moreover, UDAG, in contrast to Urban Renewal, required prior commitment of developers before any project. The program permitted entrepreneurial local governments to share risks with the private sector in order to leverage private investment. UDAG were largely used for repayable loans by municipalities. Cities also used UDAG to take an equity position in private sector projects in return for UDAG assistance. More specifically, loans were heavily subsidized through UDAG and in return cities demanded profit-sharing in the development project. In some cities UDAG was the “key financial mechanism” in redevelopment. Most cities provided financial incentives to developers and investors through UDAG (Keating; Krumholz; Metzger, 1989:129). UDAG gave cities considerable discretion how they spent their grants. A city might use it for a variety of incentives for private development activities, including (low-interest) loans, land write-downs, land assemblage, provision of public infrastructure and so forth. But each UDAG project required “a minimum of at least two participants (one public, one private)” (Clarke; Rich, 1982:53).

A distinct feature of the UDAG program was its shift from a mere grant program to “an investment program in which government agencies loan their action grant funds to private or nonprofit participants, enabling the public sector to recapture its UDAG funds and recycle them for future housing and community development activities (Clarke; Rich, 1982:54)”. Due to this new public action, Clarke and Rich characterize those cities as “entrepreneurial” in contrast to “donor” cities (Clarke; Rich, 1982:54). The major mechanism through which cities generate an income out of UDAG funds are lease agreements, loans, and equity participation. Cities might either lease land or facilities. Cities might use their UDAG funds also as loans to the private sector. Clarke and Rich state that in 1980 about one-third of UDAG funds were used as loans. The most noteworthy instrument, however, is equity participation. Here cities contracted “kicker” provisions in development agreements which permit the city or the authorized agency to share in the net cash flow of the development project (Clarke; Rich, 1982:55).

In conclusion, the Reagan administration launched the UDAG program explicitly to facilitate and encourage development partnerships. Fostering public-private partnerships in urban development was due to the assumption, that the public sector alone could not revitalize decaying cities. The UDAG program “demanded that entrepreneurs sign a statement that stipulated that ‘but for’ the federal grant, they would have been unable to proceed with the project” (Stephenson, M. O., 1991:115). The stated purpose of the UDAG program was to “fill financing gaps in public-private economic development projects” (Frieden; Sagalyn, 1989:160). UDAG were explicitly designed to leverage private resources. Development firms had to agree to invest a specific amount of money in the project by entering a legally binding commitment. In return they could receive a direct cash subsidy from the federal government. With UDAG cities were able to experiment with new financial techniques. Cities have changed their financial assistance from grants to loans and in doing so accumulating loan paybacks. “As a development tool, the UDAG program was both more flexible and more precise than urban renewal” (Barnekov, T.; Boyle, R.; Rich, D., 1989:74).

III. Typology of Public-Private Partnerships

There have been some attempts to classify public-private partnerships. The classifications are surprisingly different from each other and more or less comprehensive. Some scientists focus only on a certain city and describe local public-private partnership while a general application is missing. Some analysts, in contrast, classify public-private partnerships concerning only certain partnership element while forget about other important partnership characteristics. Some scholars use special terms in order to distinguish partnerships but do not take the wide variety of public-private partnerships into account. In fact, there is no accepted typology of public-private partnerships and some scholars even argue that there is no typology at all. This section seeks to represent some classifications of public-private partnerships conceived by different scholars. Subsequently, I propose a typology that is based on three pillars: (1) the organizational structure of partnerships in terms of formal agreements, (2) the involvement of the public sector regarding financing of specific partnership projects and provision of financial or not primarily financial incentives in order to attract private investment, and (3) chief objectives cooperative efforts are aimed at including partnerships spatial foci.

My discussion of a sensible typology of public-private partnerships begins with a review of some classification of public-private partnerships by different scholars. Stewman and Tarr distinguish between four types of public-private partnerships in Pittsburgh: (1) environmental, (2) organizational (both social and managerial), and (3) bricks-and-mortar (Stewman; Tarr, 1982:103). Environmental partnerships for smoke and flood control were the earliest partnerships in urban development in Pittsburgh. They are considered a prerequisite for CDB and bricks-and-mortar development. Consequently, environmental partnerships are the bases for bricks-and-mortar or physical development partnerships in Pittsburgh. But this is true only for frostbelt cities which were dominated by heavy industries. Stewman and Tarr distinguish organizational partnerships in social-oriented and managerial-oriented partnerships, whereas the most novel is the development of social partnerships (Stewman; Tarr, 1982:103). Social partnerships usually are focused on neighborhood revitalization and private foundations are traditionally involved in those kinds of partnerships. Social partnership means broader participation of the community and in Pittsburgh particularly the black community. Managerial partnerships try to make government operations more efficient for instance through the use of private-sector-loaned executives within government.

Figure 1 provides summary information about the different kinds of partnerships in Pittsburgh including basic objectives and participants.

Figure 1: Public-private partnerships taking Pittsburgh as example

Partnerships	***Basic Objects***	***Participants/Partners***
Environmental	Flooding, Air quality	Chamber of Commerce, City/State, Voluntary Associations Corporations
Physical/Bricks- and Mortar	Construction of high-rice office buildings/complexes	Redevelopment Agency, State/City Corporations Foundations
Social	Education, Unemployment, Minorities	Financial. Institutions Corporations Citizen City
Managerial	Greater efficiency of intergovernmental operations	Chamber of Commerce, Corporations, Commissioners Loaned executives

Source: (own draft) Stewman, S.; Tarr, J. A., 1982:79-110

As can be seen above, this classification is not appropriate for general application since it is tailored for public-private partnerships in frostbelt cities. In addition, the classification by Stewman and Tarr is insufficient for urban development partnerships. In this regard, physical or bricks-and-mortar partnerships are particularly relevant. Stewman and Tarr do not provide a more detailed differentiation of bricks-and-mortar partnerships. But as we have seen in preceding sections of this chapter, there are different periods of public-private partnership building in the US. Consequently, there do exist different physical development partnerships.
Eisinger**,** in contrast, provide a more detailed distinction of development partnerships. He distinguishes between the following three types of partnerships: (1) indirect partnerships, (2) more focused partnerships cemented by grants and subsidies, where government plays the role of subordinate or junior partner, and (3) joint ventures, where government shares risks and even equity interests (Eisinger, 1988:23). This classification is by far more relevant for a consideration of urban development partnerships as the one by Stewman and Tarr. As Eisinger considers only partnerships between local governments and enterprises for economic development I apply the distinction of partnerships to urban development with some restrictions. State enterprise zones and public rehabilitation loans and grant programs may be considered as indirect partnerships; a more focused or formalized partnerships may be Business Improvement Districts (BIDs) and the federal empowerment zone program (EZ/EC); and joint ventures in urban development are joint development projects or development corporations where the local government may have an equity position. Although local and state governments provide tax incentives, loans and grants to the private sector through the enterprise and rehabilitation programs I tend to consider those relationships as indirect partnerships instead of more focused one since partnership building is not explicitly expressed in the programs. In this regard, Eisinger's typology of public-private partnerships is only partly applicable to urban development. The federal EZ/EC program, however, differs from state enterprise zones. The empowerment program is the most recent urban revitalization program of the federal government. Public-private partnerships and joint development projects are basic components of the program. While enterprise zones are "geographical target tax incentives", the EZ/EC program combines "federal tax incentives with direct funding for physical improvements and social services". Moreover, the program aims at private sector investment and "participation by community organizations and residents" on the other hand (President Clinton's National Urban Policy Report 1997:45). Therefore, the program fits into the second category of more formalized partnerships as partnerships are explicitly demanded and supported by the government. The third kind of partnership, joint development projects, are by and large a focal point of development partnerships. All together, this typology is very useful for further consideration.
Squires made two different distinctions of public-private partnerships. First, he entitled his book concerning partnerships *Unequal Partnerships* and argues in its introduction that:

"what has frequently been overlooked is the inherently unequal nature of most partnerships. Frequently they exclude altogether the neighborhood residents most affected by development decisions [...]. Public goals often go unmet and democratic processes are undermined [...]. The principal beneficiaries are often large corporations, developers, and institutions" (Squires, 1989:3).

The distinction between equal and unequal partnerships is an often used dichotomy taking the equality or better the inequality of public and private partners as deciding factor of differentiation. A similar term is for instance employed by Krumholz. He describes downtown-focused public-private partnerships as unbalanced partnerships (Krumholz, Rebuilding America's Cities, 1982:178). Squires also concerns public-private partnerships in conjunction with an ideology of privatism with the supreme private sector and the public sector as junior partner. (Squires, 1991:197). He distinguishes two types of partnerships with

regard to economic circumstances. Public-private partnerships emerged in the prosperous postwar era in the 1950s and 1960s. In contrast, a boost of public-private partnerships occurred in the 1980s in a situation of economic downturn. Squires entitles those partnerships as ‘partnerships in an age of decline’ (Squires, 1991:206). In this era “local partnerships have nurtured downtown development to service the growing service economy” (Squires, 1991:208-9). Similarly, Levine defines three significant periods of public-private partnerships: (1) the emergence of formal public-private partnerships 1945-1970, (2) the proliferation of public-private partnerships 1970-1985, and (3) new directions in public-private partnerships. He assigns features to each period (Levine 1989:19-31). The first and second partnership approaches of Levine’s categorization are traditional public-private partnerships as discussed in greater detail in chapter II.C.1 and 2. Novel is the third category of urban partnerships which have emerged since the 1980s. This new conception of partnerships is similar to Stewman’s and Tarr’s social partnerships. Neighborhood revitalization as well as more democratic development processes with greater public control and more equitable distributions of benefits for instance through linkage policies are the most important issues of those partnerships (Levine, 1989:29-30). Although Squires’ and Levine’s time-determined partnership concepts are useful for a description of the evolution of partnerships and their changes over time, they are, however, insufficient for a comprehensive classification of public-private partnerships in urban development since both are too imprecise. Supplemented with other dimensions of partnerships, however, these approaches may provide a helpful base for a sound classification of public-private partnerships.
Clarke and Rich develop a typology of public-private partnerships concerning the assumption of direct responsibility of local governments for carrying out urban program functions and participating in partnerships (Clarke, S. E.; Rich, M. J., 1982:53). The distinction between City/ Private, Public/ Private, Nonprofit/ Private, City/ Nonprofit/ Private, and Public/ Private/ Nonprofit partnerships appears to be appropriate and comprehensively, but Clarke and Rich examine only partnerships generated by the UDAG program, so-called action grant partnerships. Because the UDAG program belongs to history and chief urban circumstances have changed since then the distinction needs to be updated.
A decent classification of public-private partnerships is the one by Hamlin and Lyons (Hamlin, R. E.; Lyons, T. S., 1996:29-76). They classify public-private partnerships concerning the major organizational structures and partnership activities. With regard to partnership organizations they basically make a distinction between:

- Mixed partnerships,
- Limited partnerships,
- Condominiums,
- Government Authorities, and
- Private Corporations.

Hamlin and Lyons provide a useful overview of possible public-private organizations in the US by comprehensively delineating various forms. They highlight possible legal organizational arrangements and partnership enabling laws. Thus, the approach is considerable different from the one by Squires, Levine, and Stewman and Tarr. While Squires and Levine take social consequences of public-private partnerships into account, Hamlin and Lyons classify public-private partnerships from a law point of view. Therefore, the results are clearly different from each other. Relevant categories of intersectoral partnership activities classified by Hamlin and Lyons are the following:
- Land/Related Capital,
- Labor,
- Energy,

- Finance,
- Management,
- Tax Incentives,
- Markets, and
- Research.

The partnership activities can be classified basically into financial (finance and tax incentives) and not primarily financial (land, research, management) activities. Derived from this categorization, a chief concern of public-private partnerships in the US is finance. Such an analysis of possible partnership activities is an useful approach to distinguish different kinds of partnerships. Therefore, Hamlin and Lyons give an excellent overview of various intersectoral partnership activities that can be employed for further consideration. Perhaps the most useful and comprehensive typology, however, is the one by Kleinberg (Kleinberg, 1995:253-267). He distinguishes four models of public-private partnership presented in figure 2.

Figure 2: Four models of public-private partnerships by Kleinberg

Unequal (Business-dominated or Corporatist) Partnership

- Associated with downtown corporate center strategy
- Private partners receive most of the benefits
- Subtypes:
  conventional unequal public-private partnership model of the 1950s (Urban Renewal) and new unequal public-private partnership model since the 1970s
  - Forms:
  Conventional growth coalitions
  Quasi-public Development Corporations
  Publicly formalized contractual relationships

Linked Development Partnership	
• public partner shares more fully in the benefits (less unequal)	
Limited Linkage Partnership	**Expanded Linkage Partnership**
• Revenue sharing (trade-off) • Spending revenue for example to cut tax rates for residents or provide social services • Public sector role of an public entrepreneur (equity partner) • Avoiding risk through negotiating • Only two partners • Spatial focus on CBD	• Attempt to distribute purposively the benefits of redevelopment more widely beyond downtown including deteriorated neighborhoods and poor residents • Relatively new type (Boston, San Francisco in the 1980s) • Linkage programs such as fees for developer

Strategic Progressive Planning Model

- Opposite to business-dominated public-private partnerships
- New, more people-oriented approach to planning
- Fosters neighborhood planning and broad public-private partnerships involving Community Development Communities (CDCs)

Source: (own draft) Kleinberg, 1995, 253-267

Kleinberg presents the unequal partnership and the strategic progressive planning model as two extreme models of partnerships with two types of linked partnerships in between. Similar to Squires and Levine, he primarily concerns partnerships in equality terms. Furthermore, he includes in its classification a logically evolution of partnerships beginning with unequal partnerships of the 1950s and 1960s and linked partnerships in the 1970s and 1980s. The strategic progressive planning model, however, is still a vision of urban planning. He describes the four basic types of partnerships comprehensively including certain forms the models may take as well as specific characteristics that distinguish the models from each other. In this regard he also takes important components of public-private partnerships such as public sector involvement and spatial elements into account.

In sum, the discussed classifications are very different in nature. Squires, Levine, Stewman, and Tarr consider distinct types of partnerships from a social point of view, while Hamlin, Lyons, and Eisinger argue from a law and economic point of view. For a useful typology, however, it is necessary to take different approaches of classifying public-private partnerships into account. As I concern public-private partnerships from a geographic point of view, I intent to stress spatial aspects of public-private cooperation in urban development more than in the classifications above. Furthermore a sensible typology of public-private partnerships in urban development should consider the involvement of the public sector regarding financing of specific partnership projects and the provision of financial or not primarily financial incentives in order to attract private investment as well as organizational structures and institutionalization of partnerships. Though Hamlin and Lyons present a comprehensive overview of possible organizational structures public-private partnerships may take, they do not consider less institutionalized public-private partnerships that are not based on ‘hard’ law and formal arrangements. In this regard, Eisinger provides a better solution when speaking about indirect partnerships including ‘soft’ arrangements between the public and private sectors. Therefore, it is useful to combine both approaches in order to cover a wide spectrum of possible organizational structures of public-private partnerships. The distinction between informal partnerships and formalized partnerships may be an appropriate approach. The involvement of the public sector may stretch from a low to a high level. It can be expected that a highly formalized and institutionalized partnership reaches a higher level of public sector involvement than an informal and low institutionalized public-private partnerships. Additionally, the social-determined classification of Squires, Levine, Stewman and Tarr include preferred objectives and spatial foci of certain public-private partnerships which may correlate with the degree of public sector involvement and the institutionalization of partnerships.

A. Informal Partnerships

Informal relationships between the public and private sectors have a long tradition in the US including private-sector advice to local governments and planning by the private sector. Stewman and Tarr describe how the public and private sectors have worked together in planning matters in Pittsburgh (Stewman, S.; Tarr, J. A., 1982:59-113). The most outstanding example is the Allegheny Conference on Community Development (ACCD) as critical private sector organization and “key planning and action organization” (Stewman, S.; Tarr, J. A., 1982:63). The ACCD had sponsored planning and research in Pittsburgh’s downtown redevelopment. The Allegheny Conference paid experts to draw plans for redevelopment, which the public sector then reacted to, usually indicating its acceptance (Sbragia, A., 1989:107). Building upon the model of the Allegheny Conference, businessmen’s development committees organized in virtually every major city in the United States between 1945 and 1965.

Cafferty and McCready illustrate the way in which planning for economic development took place in Chicago in the 1970s (Cafferty, P. S. J.; McCready, W. C., 1982:131-140). Different sets of actors from both the public and private sectors were involved in the planning process for downtown. An important group was the “Chicago Central Area Committee” composed of CEOs of major Chicago corporations. Chief concerns were, for instance, commercial development, planning and physical improvement. As a result of a comprehensive research and discussion process, a Chicago central-area plan was conceived and was then discussed with city staffers. Another important plan was the Chicago 21 plan for the development of the CBD. To draw up this plan, the Chicago Central Area Committee contracted with an architectural firm. The Chicago 21 plan strongly influenced redevelopment in downtown Chicago.

Another example occurred in Minneapolis as the Downtown Council, an organization made up of corporations to strengthen the downtown area, worked closely together with city planners. Concepts for revitalizing downtown were discussed together. (Brandl, J.; Brook; R., 1982:178). In Minneapolis the Downtown Council provided financial and planning assistance when the city was considering policies that would affect downtown. The city's "Plan for the 1980's" was drawn up in this fashion. In this way, research and studies were often financed jointly by the city and the council (Brandl, J.; Brook; R.,1982:196).

The Greater Baltimore Committee (GBC) is an often cited example of an elite group that affected downtown planning. CEOs of the largest corporations in the Baltimore metropolitan area were organized in the GBC. The chief purposes of this group were sound planning and the implementation of plans in order to foster economic development in the city. The GBC and the Committee for Downtown, in which downtown retailers were organized, devised a comprehensive plan for Baltimore's CBD redevelopment.

To conclude, the examples illustrate the liaison of private organizations and city departments or city hall based on an informal arrangements concerning planning in order to revitalize downtown. A key contribution of business associations and committees was their sponsorship of comprehensive development plans with an emphasis on revitalization of the CBD. Private development committees and their partnership with local public officials might led to lasting governing coalitions (Barnekov, T.; Boyle, R.; Rich, D., 1989:45). Such close informal relationships between the public and private sectors were common in the US. Informal public-private alliances strongly influence urban renewal in the 1950s and 1960s and thus affected downtown revitalization significantly.

B. *Formal Partnerships*

Formalization of partnerships take place through formal partnership agreements as well as public-private institutions and corporations. Partnership agreements can be considered less formalized than partnerships in which quasi-public or private corporations are established. A new era of partnerships emerged in the late 1970s since public and private partners seek to achieve formalized partnership agreements. As a result, partnerships have become a more institutionalized part of urban development in the US (Heinz, W., 1993:129).

Partnership agreements can take many forms. However, it is always "a written statement of the decisions governing all of the various aspects of the project" (Kirlin, J. J., 1985:20). The contract clearly defines the responsibilities of each partner. Generally, it is a complex document. The most common contractual agreements between the public and private sectors are the following: Development Agreements (DA), Disposition and Development Agreements (DDA), Ownership Participation Agreements (OPA), and Lease Agreements. In California DAs were authorized by California State Law in 1979 (Arana, 1986:31). This legislation authorizes localities and developers to contract for mutual benefits. A development agreement may specify "conditions, terms, restrictions, and regulations pertaining to all aspects of a development" (Fulton, W., 1999:352). A DDA is similar to a development agreement, however, it is a contract between a city or city agency and developer in a redevelopment project called for in a redevelopment plan. An OPA is struck between the city or city agency and property owners when property is not owned by the redevelopment agency. Usually the property owners have small parcels and the city wants particular improvements to be done.

The advantage of formal public-private partnerships is the early commitment to negotiations with a contractual agreement at the end. Formal agreements afford security for the participants. In this instance the private partner (developer or investor) has the assurance that the "actions agreed on by the city would be carried out no matter what political uncertainties" will occur. On the other hand, the agreement provides the city assurance of planning guidelines and financial duties of the developer or investor. (Claggett, W. E., 1982:257).

Claggett calls this “performance contracting” (Claggett, W. E., 1982:288). More specifically, the city and private developers negotiate to reach a contract agreement that is binding on all parties. In this instance, a contract has been used to formally define the responsibility of each partner. This can reduce uncertainty and risk for both sectors. In conjunction with performance contracting ‘strategic planning’ has become more important due to innovative financing methods and new definitions of public-private responsibilities.

As already mentioned in preceding sections, equity participation has become increasingly important for local governments in order to generate revenue. According to Arana, equity participation “may be the most profitable revenue-raising method being used by Southern California localities today” (Arana, 1986:31). Public entities can raise revenue while keeping control over a development project. Equity participation encompasses two kinds of agreements: participatory leases and equity participation agreements. With participatory leases localities or redevelopment agencies lease public facilities or land to developers. Equity participation agreements allow cities to invest in real estate projects. In both agreements, the city gets a percentage of the project profits. In both cases, localities play “a role that’s much closer to that of a private developer” (Arana, 1986:32). Equity participation has occurred, for instance, in efforts to develop commercial sports facilities. Whereas equity participation in shopping malls, CDB redevelopment, and office buildings have become more frequent. Typically, the city issues revenue bonds for the construction of the facilities. The agreements may include sales tax participation. However, the danger is that local governments favor commercial development that gain much sales taxes to the detriment of residential development. “These governmental ventures [...] involve both substantial opportunity and risk. Most of these economic development projects are carried out by public-private partnerships, often in legal form as public, private profit, or nonprofit corporations and often with a commingling of public and private funds” (Collmann, 1989:148). Public equity holdings via public-private partnerships have become a common method in urban development in the US. Cities achieve an equity position in a development project in return for their investment.

Because in a time of resource scarcity, local governments use various kinds of leasing arrangements whereby private capital is provided for the construction of the facility that then will be leased back to the local government. Or local governments may lease public property to investors and developers and thus public ownership and control of the leased land or building is retained. Local governments may act entrepreneurial when lease payments include a so-called “kicker” in addition to the base rate. The kicker might be one percent of the gross income of the project. In this way, the city functions as an ordinary investor who expects return on assets.

The establishment of quasi-public and private corporations for the cooperation of the public and private sectors in urban development was already discussed (section II.2.b). Separate entities for urban development have increasingly been formed since the 1980s. Cities are mostly involved in development projects through its redevelopment agency. In general, redevelopment agencies combine public powers with private enterprise flexibility. They have been formed to manage redevelopment projects and negotiate with developer. Such independent public authorities have a quiet long tradition in the US. Alternatively, quasi-public corporations may be established in order to carry out project planning and management for the city. Thus, they are intermediary institutions that foster and organize public-private partnerships. On the other hand, they are often public-private partnerships by themselves as their board consists of business representatives appointed by the mayor. Development corporations may also be established in efforts to develop a specific project. In fact, a lot of partnerships are project-oriented and have never been institutionalized in long term. Separate entities have been established for projects such as a stadium, ballpark, or convention center. A

quasi-public corporation may issue revenue bonds in order to finance the project. The development corporation, however, may be dissolve after the project is finished.
To conclude, examples of formal intersectoral relationships can virtually be found in every US-American city. Contractual relationships may take various forms and may be differently institutionalized. In fact, many different formal partnerships have been developed in the US due to a diversity in partnership contracts and institutions. Redevelopment agencies and development corporations are unquestionable opposite to traditional public agencies. The separation of public administration and independent agencies is extremely strong when deal-driven or project-driven development corporations are formed.

C. Partnership activities

Public-private partnerships provide a means for reducing uncertainty through negotiations and contractual arrangements. Moreover, collaborative approaches may achieve greater efficiency in the use of public and private resources. Public-private partnerships are primarily a financial tool for urban development. In fact, public-private partnerships have contributed to financial innovations by tailoring complex financial packages.
City governments have many powers that can be used to support development: (1) provision of financial aid, (2) powers of taxation including the ability to abate taxes, regulations, and zoning, (3) power of eminent domain, and (4) employment of tax-increment financing. Different types of partnership activities are best described by Hamlin and Lyons (Hamlin, R. E.; Lyons, T. S., 1996:37-76) and the CUED (CUED, 1978:197-199). Summarizing both analyses result in the following set of intersectoral activities and incentives for collaboration.

Figure 3: Partnership activities

Types of activities	***Specific Intersectoral activities***
financial	debt capital such as loan guarantees, front-end capital, (low-interest) loans, TIF, bond issues (revenue bonds), grants; secured debt (from financial lending institutions); federal funds (CDBG- funds); tax incentives including exemptions and abatements; interest subsidies; equity financing including seed equity; land write-downs; leases; publicly-financed construction such as parking garages, industrial parks, rehabilitation of structures; direct subsidies
not-primarily financial	land acquisition and assemblage (land management); public improvements; public sector provision of utilities and infrastructure; Air Rights and TDR; political acknowledgment through highly visible development projects

administrative	modifying building codes and zoning requirements (zoning incentives); establishing redevelopment authorities and quasi-public entities to enable financing and provide technical expertise and skilled staff; avoid bidding processes; minimize bureaucracy such as red tape; TIFS (tax increment finance districts)

Source: (own draft) Hamlin, R. E.; Lyons, T. S. ,1996:37-76; CUED, 1978:197-199

One can distinguish primarily financial, not-primarily financial, and administrative incentives. Especially financial incentives are to use in order to induce investment and focus investment in targeted areas. Administrative incentives including land use control incentives such as relaxing regulations and controls may be used by local governments when a project promotes public goals. In another approach local government provides development assistance through land acquisition, assemblage, and readjustment. This is a key role of the public sector since it can use its ‘taking power’. The public sector can also assist technically and financially in feasibility studies.

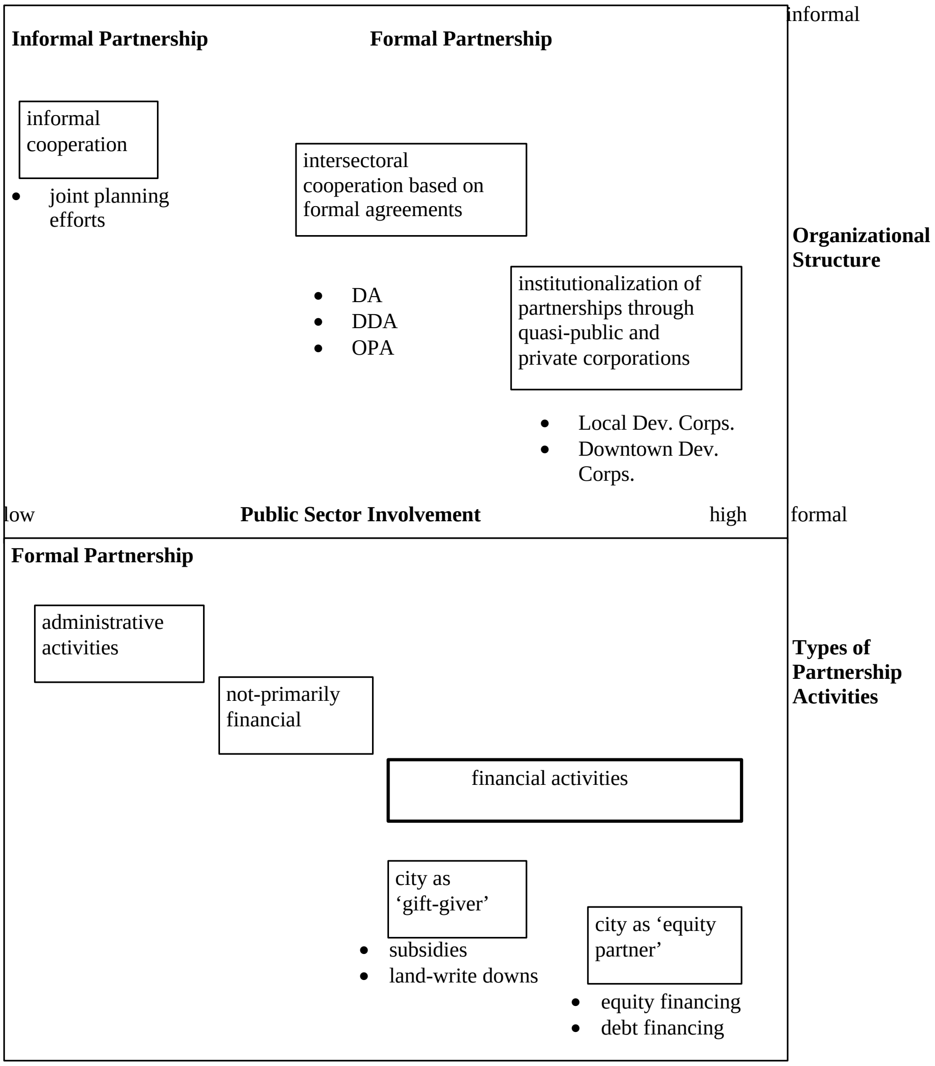
City governments have used a wide range of innovative techniques to finance urban and economic development activities. Especially complex public financial incentives and investments have increasingly been tailored to the needs of private developers and investors. Innovative public sector leverage has encouraged a growing cooperative public/private investment trend in urban development. The public sector has also began to assume the role of an investment partner in joint development ventures. The increasingly complex nature of public/private financial transactions contributed to the formalization of public/private development planning and implementation.

A fundamental change of local government’s role in urban development took place with the public sector’s engagement in direct debt and equity financing. It is used by the public sector to direct credit to development projects. Traditionally, equity financing “represents an investment of an owner or partial owner of an enterprise”, whereas debt financing “refers to the loan being made by a bank to provide further capital to an entrepreneur” (CED, 1978:236). Under debt-financing programs, a public entity makes or guarantees loans. Equity investments, in contrast, are riskier for local governments as the municipality becomes a partial owner in an enterprise or development project. Thus, the recovery of the investment by the municipality depends on the success of the corporation or project. The public sector has become deeply involved in debt and equity financing mostly through loans, guarantees, and subsidies. Loan Guarantees are a means of risk-reducing to leverage investment from private lenders. Debt financing is more widespread than equity arrangements and is a traditional public sector incentive to the private sector. Three major kinds of debt-financing are: direct loans, loan guarantees, and revenue bond financing. A loan guarantee is a means of lowering the cost of credit. In that case, the local government guarantees to a private lender that a specific portion of the loan will be paid back in case of default. Thus, the risk to the private lender will be reduced. According to Eisinger, “the most important economic development tool for generating low-cost capital [...] has been tax –exempt bond financing” (Eisinger, 1988:157). Bonds sold by municipalities are tax-exempt from federal taxation. Because of the tax-exempt status of the bond interest rates paid by the municipality are low. As follows, the costs of borrowing through tax-exempt bonds are lower for the municipality than it is through private lenders. Cities become entrepreneurial also through limited or general partnership in development projects and development corporations. Thus, the city has an equity position in the property and is equity investor. As a limited partner, the city has no liability for operating deficits.

D. Summary

The preceding analysis assumes that it is difficult to find an overall typology of public-private partnerships. Indeed, it is more useful to distinguish intersectoral partnerships concerning specific partnership elements; that may be: first, public sector involvement and organizational structure; second, partnership activities; and third, chief objectives and spatial foci.

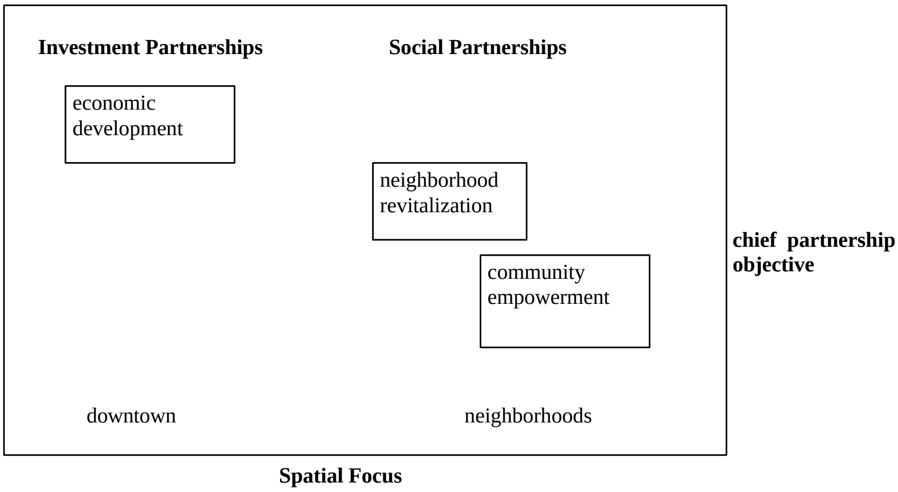
Figure 4: Formal and Informal Partnerships



Source: own draft

The public sector involvement is determined by the scope of intersectoral partnership activities. I argue that the public sector involvement in urban development projects is low in the case of administrative incentives but high when the city is engaged in development project financing. According to Cummings, Koebel, and Whitt, the financial roles of cities in urban development can range from “gift-giver” to “equity partner” (Cummings, Koebel, Whitt, 1989:219). Cities that hold equity positions in development projects are highly involved in urban development. Such cities may be described as entrepreneurial cities. Besides formal and informal intersectoral partnerships one can determine investment and social partnerships with regard to their chief objective and spatial focus.

Figure 5: Investment and Social Partnerships



Source: own draft

Investment partnerships are more widespread and visible than social partnerships in the United States. Essentially, investment partnerships are focused on economic development in downtown and its CBD. The projects are physical in nature and mostly highly visible. Downtown-focused public-private partnerships are also described as elite-based and centralized partnerships. Social partnerships, in contrast, are neighborhood-based partnerships addressing neighborhood development, community services, housing and jobs. Such partnerships are more “inclusive” (Squires, 1991:198) and aim at broader participation and social distribution aside economic development. Consequently, economic development is also an important feature for social partnerships following the thesis that the very concept of public-private partnerships is to promote urban economic development, but the projects are social-oriented as well. Socioeconomic revitalization comprises physical and social rehabilitation of neighborhoods and in this regard combines place-based urban development strategies and people-based strategies (Wagner, F. W.; Joder, T. E.; Mumphrey, A. J., 2000:11). The federal empowerment program (EZ/EC) can be considered an appropriate example of such “new partnership” approaches (Haider, D., 1986:139; Barnekov, 1989:38) in the United States. In this context, third sector, nonprofit organizations have become more important since the 1980s. An outstanding example for such neighborhood improvement associations are Community Development Corporations (CDCs). A CDC is an organization of neighborhood residents or organizations established to revitalize and strengthen neighborhoods. They typically operate in low- and moderate- income neighborhoods. “Most CDCs more or less share goals such as the empowerment of neighborhood constituencies, community control over local businesses, industrial and residential development, the economic improvement of poor neighborhoods and their residents, and the strengthening of institutions that will accomplish these goals (Wiewel, Weintraub, 1990:160). The movement of CDC has grown since the 1980s. Many CDCs are active in providing financial assistance for the production of low-cost housing, commercial and industrial development projects, and the encouragement of small businesses in their communities. They supply equity capital, loans and technical assistance to businesses. Housing and rehabilitation, however, is the primary activity of CDCs. “The work that many CDCs engage in is called gap financing” (Wiewel, Weintraub, 1990:160). In addition, private foundations are traditionally involved in social partnerships.

The proposed typology of public-private partnerships reflects the wide range of intersectoral partnership activities in the US. The growing number of functional areas being addressed by public-private partnerships includes first and foremost downtown commercial development as well as housing, education, high-technology business, and neighborhood revitalization. Most critics assert that public-private partnership models in the US are broadly focus on downtown development at the expense of neighborhood revitalization.

IV. Case Studies

The following chapter deals with partnership approaches in the Sunshine state. For that purpose I chose Los Angeles, San Diego and Santa Ana as case studies. The big cities of Los Angeles and San Diego are highly engaged in public-private partnerships in urban development. Here, public-private partnerships have been established particularly in the context of redevelopment under the Community Redevelopment Law (Health and Safety Code, § 3300 et seq.). Especially the City of San Diego has been engaged in intersectoral partnership approaches. Moreover, the city can be described as highly entrepreneurial since it has been involved in equity participation. Two development projects should provide an overview of the risk sharing partnership approach of the City of San Diego. Santa Ana, in contrast, has hardly been involved in co-development and equity participation in urban development. The city, however, provides interesting examples of public-private partnership approaches on a low involvement level of the public sector as well as informal or indirect intersectoral partnerships. Furthermore, I consider Business Improvement Districts (BIDs) as a form of public-private partnerships. I found several examples of such public-private sectors cooperation particularly in the City of Los Angeles and San Diego.

A. Formal and Informal Partnerships in Santa Ana in efforts to revitalize downtown

To understand the formation of public-private partnerships in the City of Santa Ana it is useful to describe the evolution of the city after the World War II at first. Santa Ana is the oldest city of Orange County and lies 33 miles southeast of Los Angeles. Before 1965 the city was the political, cultural, and economic center of the county. In the 1960s, however, the economy of the city changed considerably. As the wealthy of Orange County moved to the mountains and Newport Beach, retail in the city began to deteriorate. New centers of retail were developed in Newport Beach (Fashion Island) and Costa Mesa (South Coast Plaza).

Furthermore, offices, banks, and restaurants moved out of town. As a result, downtown Santa Ana became neglected and many of the old industrial and office buildings, which dated back to the beginning of the 20th century, were completely empty in the 1980s. The following facts have contributed to downtown redevelopment in Santa Ana:

- Strong economy in Southern California,
- Very strong mayor/leadership in town,
- Population growth in Orange County, and the fact that
- Orange County has been running out of land and thus greenfields have become less important while at the same time infill and brownfield development have increase in value.

To revitalize downtown and strengthen the city as a whole the city focused on art and culture. The logic of downtown revitalization has been: If artists come; people, tourist, and a bohemian culture would follow. In this concept, artists are thought as pioneers for urban development and social life style. In this connection, the city rediscovered its old buildings. In fact, Santa Ana is the only oldest city left in Orange County. In comparison, Anaheim pulled its historic buildings down around 30 years ago. Focus for downtown redevelopment has been Fourth Street which has always been Santa Ana's "Main Street" and most important street for the Hispanic community. Until the 1990s with its tremendous revitalization efforts, Fourth Street was the only lively street in downtown. As the developer Arthur Strock stated in an interview, the city had to reinvented itself or would die.[1]

The revitalization process of downtown Santa Ana began only 10 years ago at the beginning of the 1990s. The most important features of downtown revitalization in the City of Santa Ana have been public-private sectors cooperation and the Artist Village project in the downtown redevelopment project area. The notion of the Artist Village as the anchor of Santa Ana's downtown redevelopment was born approximately 6 years ago. The Artist Village is centrally located in the historic downtown and is now home for approximately 50 artist studios and galleries, two live performance theaters, two restaurants, the Orange County Center for Contemporary Art (OCCCA), a nonprofit artist run gallery, and the California State University Fullerton (CSUF) Grand Central Art Center.

The Santa Ana Community Redevelopment Agency (CRA) was established in 1973 and downtown became the first Redevelopment Project Area in the same year. The goal was to create a new, attractive commercial district with office, retail and residential uses. The biggest public-private development project in Santa Ana is by far the Fiesta Marketplace. The DDA was struck in August 1985 between the CRA and the Fiesta Marketplace Partners. Irving Chase, a general partner of the Fiesta Marketplace Partners stated: "The Agency [Redevelopment Agency] was instrumental and then truly provided a wonderful public/private partnership" (City of Santa Ana, 1998:4). However, formal partnerships for downtown revitalization on a lower level of public sector involvement is more common in Santa Ana. That is presumably due to the size of the city with its 311,000 inhabitants.

To enhance the infusion of the arts, the CRA encouraged the reuse of vacant or underutilized historic structures in downtown. The CRA has had "A Place for Art" as a motto for its revitalization efforts. In this connection the CRA helped fund the renovation and expansion of the Bowers museum, assisted in the acquisition of a site for the St. Joseph Ballet, bought the Grand Central Art Center for the CSUF and then leased it back to the University, guaranteed a loan for the Orange County High School for the arts, funded improvements of the Santora Building to facilitate the establishment of a new restaurant, and funded the purchase of a building on behalf of the OCCCA. These are examples of formal public-private or public-

[1] Interview with the developer Arthur Strock on the 20th of October 2000

public partnerships in urban planning with a moderate involvement of the city through the purchase of a building for a nonprofit organization, the acquisition of a site for a private corporation, joint financing for the renovation of a museum, a leasing agreement for a building with an obvious advantage for the lessee, a loan guarantee and so forth. The city through the CRA has tried to lure investment and people to downtown and has helped to keep projects going through mostly financial incentives.

Aside formal partnerships, an informal public-private partnership has contributed to downtown revitalization. Santa Ana's citizen and private interests pushed downtown revitalization including the idea of an Artist Village taking SoHo, Greenwich Village in NYC, Santa Monica, Pasadena, and Portland as example. An informal (that means not formalized cooperation) partnership between the public and private sectors were established through a Task Force for Art and Culture which was established in 1992 in order to encourage the arts in downtown. While city officials and private interests worked together in the Task Force until 1995, the idea of the Artists Village was conceived. Members of the Task Force were Don Cribb, a city commissioner and activist, a graphic designer, a social neighborhood activist, an artist, an architect, the Executive Director of building and planning, the Executive Director of the Redevelopment Agency and other city staffers.[2] In the Task Force public and private interests started taking about the concept of attracting art to downtown, looked for an appropriate geographical area for the Artists Village, went out to neighborhoods, museums, citizen, and property owners to get support for the idea of the Artists Village. The Task Force for Art and Culture commissioned a feasibility study for an arts area in downtown, which was paid by the city developed, in 1993 and after the extremely positive study it started an advertisement strategy for the project. Furthermore, live/work municipal codes were developed for the Artists Village by the Task Force. The codes allow limited art uses and live/work projects in the targeted area. After the codes were approved by the building and planning department and the City Council in 1994, the rebuilding process in the 13 blocks area could start. The Artists Village was born.[3]

In general, public-private and even public-public sectors cooperation have highly contributed to downtown revitalization in Santa Ana. The local developer Strock, artists, the downtown redevelopment manager, Charles View, as well as other city officials confirmed the great influence of partnership cooperation on downtown development in Santa Ana. The Task Force for Art and Culture further provides an excellent example of an informal partnerships between the City of Santa Ana and its citizen in efforts to employ art as redevelopment strategy. The discussed formal and informal partnerships in Santa Ana are investment partnerships which aim primarily at economic development in downtown. However, the Artist Village has already brought about social frictions since it does not take social considerations into account. In this regard, the Hispanic majority of the city regard the Artist Village as an artificial enclave inside Santa Ana.

B. Business Improvement Districts

Business Improvement Districts are best defined by Houstoun:

"A Business Improvement District (BID) is an organizing and financing mechanism used by property owners and merchants to determine the future of their retail, commercial and industrial areas. The BID is based on state

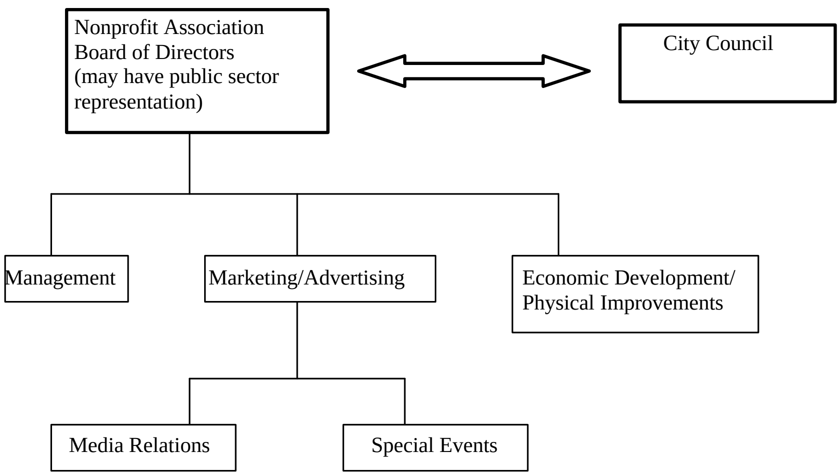
[2] Interview with Randy Au, artist and then-member of the Task Force, on the 17th of November 2000

[3] I gathered information about the Task Force in interviews with Randy Au (November 17,2000) and Don Cribb (November 24,2000)

and local law, which permits property owners and merchants to band together to use the city's tax collection powers to 'assess' themselves. These funds are collected by the city and returned in their entirety to the BID and are used for purchasing supplemental services (e.g., maintenance, sanitation, security, promotions and special events) and capital improvements (e.g., street furniture, trees, signage, special lighting) beyond those services and improvements provided by the city. In essence, the program is one of self-help through self-taxation." (Houstoun, L. O., 1997:9)

In California, the establishment of BID's is authorized by two state laws: one which allows for the creation of merchant based special assessment districts and one which allows for property based districts. In both cases, a majority of business owners or commercial property owners in a given area decide to acquire special benefits and to pay for those benefits by themselves. In a BID as geographically defined area, supplemental services and activities as well as area-specific programs are provided. Supplemental services and activities are those which are not provided by the city. Mostly, BID's pay for maintenance such as street furniture that cannot be paid by the city due to budget constrains. The city requires that a nonprofit corporation be designated as the agent responsible for procuring the BID improvements. The organization is obligated to provide to the city financial reports over the use of the assessment funds. The city is also authorized to audit and review the financial conditions of a BID. In this way the city assists the BID with review, thus that the special assessment is used according to the budget.[4] Consequently, the city has a determined role in the BID program. In this regard the relationship between a city and its business association(s) can be describe as a formal public-private partnership with low public sector involvement. Cities provide primarily administrative support for business associations and their BID's. The intertwined relationship between the public sector and private interests in a BID program is shown in figure 6.

Figure 6: Organizational Chart of a BID



Source: Own draft

[4] I gathered information form the Los Angeles City Clerk Administration Services Division and several internet resources

Business Associations and BID's can be found in all three case study cities. The City of San Diego even asserts that it is home of the first BID nationwide.[5] Moreover, the City of San Diego is special about BID's concerning its BID Council which was established in 1993 in order to provide an umbrella organization to disseminate information, resources, assistance and expertise to its 19 member BID's and to foster networking efforts. Eric Symons, Senior Public Information Officer of the Economic Development and Community Services Department of the City of San Diego, stated in an interview that:

"BID's are most definitely a public-private partnership in the City of San Diego."[6]

The city collects the assessment and then reimburses it to the district for expenses that follow the guidelines of the respective district's work plan. More specifically, the Office of Small Business (part of San Diego's Economic Development and Community Services Department) administers the BID program and oversees the assessments. There are guidelines for the use of these funds. The BID proposes how specifically the money will be used and the City Council approves those budgets. The city's investment in BID's is completely separate from these assessments. In addition to these funds, the city provides matching grant funding to each of the 19 BID's to ensure that each BID can afford to hire office staff to work with the volunteer boards that direct each BID. Symons stressed:

"The city funding doesn't stop there. We also provide CDBG funding for a variety of activities, including physical improvements such as streetscape, lighting and landscaping. Transient Occupancy Tax revenue [TOT] is also available through a competitive application process. This funding helps promote special events and funds business development and retention efforts in many of the districts. On average, the City invests $ 4 to $ 6 million each year in the BID's, which has helped to leverage another several million from BID assessments and other fundraising activities within BID's."[7]

Though funding is subject to BID board decisions, grant funding form the city such as TOT, Small Business Enhancement Program or CDBG will be oversight by the city. Specific requirements are attached by the city and therefore, organizing, planning and carrying out a project is being done together. The best example in San Diego is the neighborhood revitalization program. Here, street, lighting and landscaping improvements are carried out in joint efforts. Many districts set up a landscape maintenance districts (LMD) to help pay for ongoing maintenance of these improvements, as the city does not have the ongoing funding. Thus, the city pay for construction and the BID's pay to maintain the improvements. In this way, BID's are a perfect example of pubic-private sectors cooperation in urban development. Consequently, public-private partnerships in the context of the BID programs is not all about funding. Symons stated:

"City staff as well as our elected officials and their staff work closely with BID's and the BID Council to formulate policies, guide improvement planning and projects, and tie together a multitude of other city services and programs that, together, benefit BID's. One of the city's primary goals is to revitalize older neighborhoods and commercial districts throughout the city. BID's provide another tool to help us work with the community to achieve this long-term goal."[8]

Consequently, a BID partnership serves mutual goals. The public sector provides administrative and financial support for BID's, and BID's, in return, help cities to achieve public goals by revitalizing neighborhoods. According to Symons the North Park Streetscape Improvement Project , recently completed by the City of San Diego and the North Park Main

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[5] compare: www.bidcouncil.org
[6] Interview with Eric Symons on the 29th of November 2000
[7] Interview with Eric Symons on the 29th of November 2000
[8] Interview with Eric Symons on the 29th of November 2000

Street Association, represents a prime example of a public-private partnership. The project includes public art, sidewalk upgrades, significant landscaping and decorative lighting. The project cost approximately $800,000, funded grants obtained by the city. The project itself was developed through a joint comprehensive planning process including the city, the community and the business association. Most every detail was reviewed and approved both by the community and the city. During construction, the city worked closely with the hired contractor and the businesses. Prior to construction, the BID voted to create a LMD to pay for ongoing maintenance of the project. Thus, the relationship between the city and businesses was very close. Richard Kuryb, who works for the North Park Main Street Association, also confirmed a successful and close public-private partnership between the city and the North Park Main Street Association.[9]

The Gaslamp Quarter is another outstanding example in San Diego due to its effectiveness and accomplishments. According to Symons,:

> "As ten to 15 years ago, the district needed significant revitalization. The efforts of the business association and the residents, city government and the Convention & Visitor Bureau have paid off. The district is absolutely thriving and those that hadn't seen it years ago would hardly believe what it once was. Special events are becoming an additional draw to this successful area."[10]

Another very good example is the Adams Avenue. That district has established itself as Antique Row with numerous antique stores, as well as a unique book-selling area. The BID itself is responsible for coordinating the two of the largest free music festivals in Southern California. The success of these events have positioned the Adams Avenue BID as a leader in special event fundraising. Symons also considered the management of the district to be one of the most entrepreneurial of all BID's in San Diego, as they have branched out to tackle community issues, such as actually developing a school annex for the neighborhood.[11]

In contrast to the organization of the BID program in the City of San Diego, in the City of Los Angeles the program is administered by the Office of the City Clerk. The City Clerk serves as a facilitator to assemble the components required to consider establishing a BID in a given area of the city. The service operations aim at formation, establishment and administrative activities. In this regard, the public-private sector liaison is highlighted by the city. An important part of the public-private partnership is here the City Clerk's assistance in implementing activities or programs which require the coordination and cooperation of other city departments and resources.[12] By and large, the city through the City Clerk provides a comprehensive direct district development assistance, legislative assistance and public relations assistance.

BID's as a means of commercial revitalization in downtown and surrounding neighborhoods spread also to mid-size cities in the United States. The mid-sized City of Santa Ana, for instance, has an active downtown-based business association, the Downtown Santa Ana Business Association (DSABA). The DSABA is a nonprofit organization funded through annual taxes paid by businesses within the downtown BID. The DSABA and its BID was created by the City Council and downtown business owners to implement activities to support downtown. DSABA's role is to prepare a budget for the City Council approval and to implement the activities outlined in the budget. Special about the organizational structure of the BID in Santa Ana is that the downtown development manager serves also as the DSABA administrative director. Moreover, the downtown development agency manages the

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[9] Phone Interview with Richard Kuryb on the 12th of December 2000

[10] Interview with Eric Symons on the 29th of November 2000

[11] compare: www.gothere.com/AdamsAve

[12] Office of the City Clerk: Citywide Business Improvment District Program, Detail of Service Operations

organizational details for the DSABA.[13] Thus, there is a clear connection between the public and private sectors in the BID program in the City of Santa Ana.

C. Co-development in San Diego

As we have seen in chapter II, cities have increasingly been involved in development projects with the private sector. They began to negotiate for a form of profit sharing in the 1970s while at the same time expanding their "aid inventory" for development projects (Frieden; Sagalyn, 1989:137). Besides land assembly, cost write-down, and parking provision, cities began to build more supporting facilities for instance for shopping malls. Moreover, they started to draw on a wider range of financing techniques such as leasing arrangements, floating tax-exempt revenue bonds, and equity participation. San Diego is a perfect example to describe the growing importance of the public sector in public-private co-development projects. Important features of public-private partnerships such as institutional changes which were discussed in preceding sections can be found in this case study city as well.
Redevelopment in the City of San Diego is carried out by the City's Redevelopment Agency. But besides the city's redevelopment division there are two autonomous Development Corporations which carry out redevelopment activities in a specific geographical area. The Centre City Development Corporation (CCDC) manages redevelopment in downtown San Diego. The Southeastern Economic Development Corporation (SEDC) was established in 1981 to carry out redevelopment activities in southeastern San Diego. Thus, both development corporations are quasi-public corporation, while the CCDC is the development corporation for downtown redevelopment. Both development corporations were established to facilitate public-private partnerships in development projects and have a broad range of powers including securing public financing, negotiating deals with developers, and reviewing development proposals to ensure that they meet design criteria and other public objectives (Trimble and Rogel, 1983:19). In fact, since the 1970s it is common for cities to adjust to a new style of deal-making and negotiating by changing the administrative system such as the establishment of new organizations to manage downtown redevelopment. Donna Alm, public information officer of the CCDC, stated:

"As the facilitator between the public and private sectors, everything we [CCDC] do is a public-private partnership. The two main resources provided are the power of eminent domain and tax increment financing. The City of San Diego often utilizes public-private partnerships to accomplish objectives; many have nothing to do with redevelopment. They can be sometimes the only method to get public projects done, or for getting private projects done."[14]

Redevelopment activities are in their very nature public-private partnerships since DDA's represent some form of public-private development, or participation, or agreement. Whereas actual co-development is far more rare. Concerning co-development in San Diego, the large projects like Horton Plaza and the Ballpark come to mind. Both development projects are outstanding examples of co-development in the City of San Diego and are far more complicated than other public-private development projects.[15] San Diego is well-known for its Horton Plaza redevelopment project, a multiuse regional shopping center including a hotel, parking facilities, two theatres, and office space on an 11.5-acre site covering 6.5 city blocks in downtown. The $180 million retail project was built in a public-private partnership completed as part of the city's redevelopment plan, and has been a catalyst for the

[13] Phone interview with Charles View, the downtown development manager, on the 17th of October 2000
[14] Interview with Donna Alm on the 27th of November 2000
[15] Phone interview with Pamila Hamilton, Executive Vice President of CCDC, on the 17th of December 2000

revitalization of downtown San Diego (compare: ULI, 1986). For analyzing public-private partnerships in urban development it is a perfect example of a public-private joint venture. The Ballpark project, is a current public-private joint venture. But due to its ongoing development process and litigation problems it is difficult to analyze. Therefore, I focus more on the Horton Plaza project.

Like other major urban downtown in the United States in the 1960s and 1970s , downtown San Diego suffered from disinvestment, a deteriorating tax base and a decline in population. The city attempted to stop the exodus of residents, investments and businesses to the suburbs and strengthen downtown by working together with the public sector in a joint venture. Pamela Hamilton stated:

> "The purpose was to bring major retail back to downtown that had once moved to Mission Valley. From this perspective is was a risky monetary investment. It is critical that the project was so large and required the developer to think creatively because there is not so much space in downtown like in suburban areas. Horton Plaza represented an experiment by all means."[16]

The City of San Diego was deeply involved in the Horton Plaza project through CCDC. In essence, CCDC was established for carrying out this huge redevelopment project and acted as the sole negotiator between the city and the developer. The City Council approved a redevelopment plan for the Horton Plaza, a fifteen-block area in downtown, in 1972 in order to revitalize San Diego's downtown. In 1974 the city selected the Ernest Hahn corporation as developer to built a retail center including a downtown mall. Horton Plaza took a decade of deal making. CCDC was empowered to represent the city in negotiating with the Hahn Corporation as well as taking responsibility for planning and managing the Horton Plaza redevelopment project. CCDC was set up to deal with developers in a businesslike way, with an independent board of directors recruited from the business community. (Frieden; Sagalyn, 1989:129). CCDC was bargaining for a city share of the revenues from the Horton Plaza project. In this context, the DDA set the rules for the partnership between the city and the developer while CCDC acts as a middleman. As important feature of the deal, CCDC wrote down the land but in exchange has received 10 percent of gross rental income in excess of base rents from shopping mall tenants (annual payment of participation in gross rental income), 10 percent of net cash flow from office space (annual payment of participation in office building available cash flow), and 31 percent of gross parking revenues beyond the amount needed to amortize the developer's cost of building the parking structures (annual payment of participation in parking revenue surplus).[17]

Conversely, since Hahn could not get department stores for its downtown mall, the corporation wanted a commitment from the city to build a convention center and downtown housing as well as improve conditions for retailers and residents in town. Brought forward by the San Diegans, Inc., a downtown-based organization of business owners, developers and property owners, the "city council approved plans in 1976 for 4,000 houses, a marina, and a convention center in two newly created redevelopment projects south and west of the retail site" (Frieden; Sagalyn, 1989:139). These undertakings brought a firm deal between the City of San Diego and the Hahn company forward.

The Horton Plaza project was considered as very risky for both the city and the developer due to unfinished agreements and the uncertainty of proposed commitments. "The first development agreement committed the city to finance and build a 2,000-car parking garage but left wide open the terms on which Hahn would lease it" (Frieden; Sagalyn, 1989:142).

[16] Phone Interview with Pamela Hamilton, Executive Vice President of CCDC, on the 17th of December 2000

[17] Payment Agreement by and between the Redevelopment Agency of the City of San Diego and Ernest W. Hahn 1979 Development Company, L.P., October 18 1982, attached to the Disposition and Development Agreement by and beetween the Redevelopment Agency of the City of San Diego and Ernest W. Hahn, Inc., March 16 1979

Moreover, although city negotiators were not satisfied with the project plan, they postponed decisions on design issues. The developer on the other side was taking risks as he was uncertain whether the city will built the promised convention center and housing units. In fact, construction of the convention center did not begin before Horton Plaza was opened in 1985. The entire project is characterized by a significant mutually dependent construction overlapping that can be considered as substantial different from the "control style of urban renewal" (Frieden; Sagalyn, 1989:140). The argument that development deals are never final was proven in San Diego. The Horton Plaza experience also shows that DDAs are partnership agreements that allow some flexibility. Horton Plaza is a story of steady change. During the development project several concessions on both sides had to be made. Several deals including the profit-sharing agreement on rental income and on net cash flow from office space as well as the parking agreement led to a complex deal between the developer and the city. All together, "[...] the Hahn Company and the redevelopment agency amended the development agreement five times, reconfigured the site, changed the design a dozen times, [...]" (Hamilton, 1994:2). The essence of the deal is summarized by Frieden and Sagalyn as follows: "As far as city negotiators were concerned, Hahn could have his redesign in exchange for taking over increasing financial responsibilities for the project" (Frieden; Sagalyn, 1989:150).

While becoming co-investor in the Horton Plaza project, the city adopted a highly entrepreneurial style of urban governance. San Diego did not use federal renewal funds for the Horton Plaza project. Nearly half of the city's costs ($15 million) came from tax-increment bonds (Frieden; Sagalyn, 1989:160). The Horton Plaza TIF district was defined in 1974 and it has raised an exceptionally large amount of money into the coffers of the Horton Plaza project. Moreover, CCDC received a loan of $9.5 million from the city (Frieden; Sagalyn, 1989:162). The rest of the city's costs came from the project itself through land sales to the developer, temporary leases of land and interests revenues (Frieden; Sagalyn, 1989:162). According to Pamela Hamilton, Executive Vice President of CCDC, the city and CCDC are receiving about $4.4 million in annual revenues from Horton Plaza at the moment; about $1.5 million in tax increment on average, about $100,00 on average in participation from overage rents and about $2.8 million in sales tax. However, if one net out what the debt service would be on the $33 million in bonds sold to cause Horton Plaza to occur (about $2.4 million in annual debt service), then there is about $2 million in net revenues. All together, the city and CCDC have received about $30 million in net revenues to date and the rate of increase in net revenues is expected to grow.[18] The substantial increase in tax-increment is largely due to office building and hotel development. Thus, the City of San Diego has been very successful with its equity participation approach in this joint venture. Horton Plaza is also considered a successful product of government and private co-development by the city and CCDC as well as some scholars (e.g., Trimble and Rogel, 1983). For the purpose of this paper, Horton Plaza illustrated best how the city adapted entrepreneurial strategies in urban development by taking risks and becoming financially involved in the project in order to revitalize its neglected downtown. According to the proposed typology in II.D.4, the Horton Plaza redevelopment project is a model of a formal, downtown-based public-private partnerships for economic development.

The Ballpark project is an even bigger co-development project than the showpiece joint venture Horton Plaza.[19] The Ballpark is also a redevelopment project though it is not a separate redevelopment project area like Horton Plaza. It is situated in the Central City Redevelopment Project area and is managed by CCDC as well. The Ballpark project is more than its name lets assume. In addition to a baseball stadium which is going to be built by the

[18] Phone interview with Pamela Hamilton on the 21st of December 2000

[19] One can find a lot of information about the project including some agreements on the following web page: www.ci.san-diego.ca.us/ballpark

San Diego Padres, the project contains three hotels, retail and residential. Baseball stadiums have been a very popular urban development project in the US. In fact, it is “a very sexy thing in American cities”.[20] The project is still in its first phase which include construction of at least 850 hotel rooms, 600,000 square feet of office space, and 150,000 square feet of retail space.[21] The City Council approved phase I in April 1999. Two DDA’s for hotel development have been executed so far. A proposal for a third hotel is still missing. A DDA for the mixed-use development is still in negotiation. Pamela Hamilton who is major negotiator for the city in the project, stated:

“The ballpark project is very complicated. It is far more complicated than the Horton Plaza project. Horton Plaza had only been a real estate transaction whereas a ball club is intensively involved in the ballpark project as well as plenty single developments that are encompassed by the ballpark project. There is a lot more required and the land covered by the project is considerably bigger.”[22]

Whereas in the Horton Plaza project the developer required something from the city (convention center and downtown housing) in addition to the contracted development, it is the other way around in the Ballpark project. Here, the city requires a lot from the Ball Club to make the project feasible. Thus, the DDA’s of both projects contain commitments by the developer and the city that are pertinent to the feasibility of the project.
The investment in the $411 million multiple-use ballpark is shared as follows:

Padres/Other private sources	$115 million
CCDC	$ 50 million
Other Investments/Port	$ 21 million
City of San Diego	$225 million
Project Total	$411 million

Consequently, the city is highly financially involved in the project. In contrast to the Horton Plaza project, the city invests considerably more in the project than the private sector. The city and the Padres struck a very complicated joint ownership as well as use and management agreement that highlights the entrepreneurial strategy used by the city to create an entertainment and sports district in downtown San Diego. According to the Memoranda of Understanding (MOU), the agreement commits the Padres to play in San Diego for 30 years or until the ballpark debt is paid off. Thus, this passage provides financial security for the city. Moreover, the Padres will be responsible for all Ballpark construction cost overruns. The city will own 70 percent of the ballpark (the Padres 30 percent), whereas at the end of 30 years the city will own 100 percent of the facility. The Padres will have to pay $500,000 per year to the city for rent payments. According to the joint use and management agreement, the Padres and the city share use of the ballpark. Thus, each partner is allowed to organize own events and will retain revenue from its own events. The city will pay 70 percent or $3.5 million of the costs for general maintenance and operation, whichever is less.[23]
As we have seen, responsibilities, financing and management of the project are highly intertwined. Due to complicated ballpark ownership, use and capital improvement agreements it is difficult to distinguish between public and private spheres. For instance, the capital improvements will jointly paid by the partners. The city holds the majority interest (70%) in the joint venture, while the Padres holds a minority interest of 30%. However, the city will

[20] Pamela Hamilton in a phone interview on the 21st of December 2000
[21] Agreement to redevelop downtown between the City of San Diego and the San Diego Padres
[22] Phone interview with Pamela Hamilton on the 17th of December 2000
[23] Memoranda of Understanding: www.ci.san-diego.ca.us.ballpark/mou.html

gain a 100% ownership at the end of the lease. The city is allowed to use the Ballpark on 240 days a year (Padres: 125 days).

The project is unquestionable a sound idea, but delays due to litigation are a big problem for the city and the Padres. The delay is considered 6 month so far. Moreover, CCDC could not sell bonds because of the law suits. Like Horton Plaza, the Ballpark project is a perfect example of a formal public-private partnership for economic development of downtown.

V. Summary of Findings and Conclusions

Initially, I intended to compare public-private partnerships in the United States and California in particular and Germany with a focus on the Capital Berlin. In fact, partnership planning in urban development in Germany is a new experience. Some cities including Berlin have tried to cooperate with the private sector in urban development projects for about a decade. In order to support partnership building in urban development new planning tools have been established in the 1990s. I wanted to examine similarities and distinctions between the two partnership approaches while analyzing which elements of US-American public-private partnerships are suitable and recommendable for using in German cities? And what lessons can be learned from the US approach in Germany? But since the federal systems including the patterns of federal support for urban development and the nature of state bureaucracy as well as the organization of the private sector and the planning culture is considerably different in both countries, such an international comparison would far exceed the scope of this paper. Even the term public-private partnership is differently defined in the US and Germany. In the German literature, public-private corporations are predominately considered as public-private partnership.

In the following I will give some examples of fundamental differences of public-private partnership prerequisites in both countries. The key to public-private partnerships in American cities has been the ability of the private sector to organize itself effectively. Not only business organizations have a long tradition in the US but also their profound impact on urban policies and their ability to channel their economic clout into political power. A substantial feature of a lot of long-standing public-private cooperation in urban development was the leadership of the mayor. In Germany, however, the organization of the private sector is weak. Organized business interest do not play the leading role in urban development that they do in American cities since social welfare, community improvement and cultural functions are funded by the state. Strong leadership to mobilize public and private powers is more difficult to achieve due to multiparty coalitions and a less powerful influence of the mayor. Many incentives for cooperation between the public sector and business interest are due to the autonomy of local governments in the federal system of the U.S. Moreover, the profound autonomy of local governments enables deal-making and negotiation between both sectors. The incentives, however, that bring about public-private partnerships differs in different governmental systems with different legal structures and different traditions. In this context, Newman and Verpraet provide an interesting analysis of public-private partnership approaches in different countries with different political systems, though they focus their research only on Europe. They argue that public-private cooperation has emerged in many big European cities around economic development projects. They state that national circumstances and institutional differences have an impact on the forms partnership may take in different countries. They argue that different types of partnerships reflect deep rooted national traditions. By and large they distinguish between a "strong state European model" and a "market oriented US" model of partnerships (Newman, P.; Verpraet, G., 1999:488).

"More generally, the ability, and willingness , to control local governments gives European national governments a leading role in the development of partnership (Newman, P.; Verpraet, G., 1999:488). Though the analysis does not explain the widespread partnership planning in highly centralized Great Britain, it gives useful explanation for the late adoption of the partnership approach in Germany. In sum, due to different prerequisites of public-private partnerships in the US and Germany, that makes a comparison very complicated, I decided to focus my analysis only on urban development partnership approaches in the US.

Partnership approaches have been very important in urban development in the US for a long time. Though the term public-private partnership first emerged in the 1970s, early examples of public-private cooperation in urban development goes back to urban renewal. In the new era of public-private partnerships, however, development partnerships are bigger both in scope and complexity. The main difference between earlier and new partnership approaches, however, is due to the departure of the federal government in urban development. Like the City of San Diego, many local governments began to participate on an equity basis in development projects. Equity participation means profit and loss sharing in joint ventures. Though many localities have gained success with revenue-raising methods (e.g., San Diego with Horton Plaza), risks are considerable high as were described in the Ballpark project in San Diego.

Development partnerships are considered extremely critical in each case study city. Public-private partnerships are pertinent to downtown revitalization in particular. Pamela Hamilton from the Redevelopment Agency in San Diego stated:

> "As the redevelopment program started 25 years ago, property ownership in downtown San Diego was diverse and contradictive to large-scale developments. At this time downtown ownership was characterized by small parcels mostly hold by trusts and multiple owners. There was no feasible way for development and to make major projects work. Real estate was mostly underutilized. To counteract this deteriorating situation in downtown land assembly and revitalization of the area was needed. But the city needed a private partner for assemblage and modernization of the area. Primarily, downtown really needed private projects such as office and retail development and not only public projects. This was the only way of salvaging downtown and encouraging development. The city cannot do that without public-private partnerships."[24]

However, taking Santa Ana and San Diego as example, one can observe significant differences in the urban development strategy used by the cities in efforts to revitalize downtown. The co-development examples in San Diego describe a highly complex and sophisticated partnership approach. The city's involvement in development projects is high due to equity participation in development projects. While San Diego adopted a role of an equity partner in urban development, the City of Santa Ana is less involved in joint ventures. Rather, Santa Ana functions as a 'gift giver' in urban development projects. In this way, both cities illustrate two types of public sector philosophy in urban development: grant giving versus public investment.

In particular public-private partnerships are facilitated by redevelopment activities based on provisions of state law. Redevelopment depends very heavily on private sector involvement since the redevelopment agency facilitates, induces and fosters development but (except in very limited ways) does not 'carry out' redevelopment by actually constructing much. Rather, it attempts to financially reduce the risk of private investment, create environments in which the value of private redevelopment investment is protected or enhanced, and bring about critical masses of investment that ultimately become self-sustaining. Redevelopment is largely financed by property tax increment, so it is largely financed by its own successful attraction of real estate development. Several partnership activities can be carried out under redevelopment law which have been broadly used in the case studies. One interesting redevelopment project in Los Angeles which illustrate numerous partnership activity in redevelopment very well is

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[24] Phone interview with Pamela Hamilton on the 17th of December 2000

the rehabilitation and expansion of the Los Angeles Central Public Library, which included restoring a nationally significant historic building, expanding it, returning a parking lot into public open space, selling land and development rights, issuing tax allocation bonds backed by a guaranteed payment by the private developer of an amount equal to tax increment. The CRA built the library for the city, the private developer built two office buildings using transferred density and public open space on a deck on which the city reserved ownership.

Redevelopment Agencies like the CRA in Los Angeles (CRA/LA) or quasi-public development corporations like CCDC in San Diego are pertinent to public-private sectors cooperation in urban development. The CRA/LA describes itself as "partnership arm of the City of Los Angeles" to "lend a hand to investors willing to take risks for a more vibrant city".[25]

Though public-private partnerships changed over decades, "a new tradition of social-development partnerships" (Stewman and Tarr, 1982:95) has not developed yet. Downtown-based economic development partnerships still dominate in the US such as Horton Plaza and the Ballpark project in San Diego and Bunker Hill in Los Angeles. A new element of public-private partnerships in urban development, however, is the diversification of the partners. In the current City Heights project in the City of San Diego, for instance, the private partner of the city is different than in other projects. Here, a charitable foundation is the private partner in the public-private partnership. A single person owns the foundation and a developer works as part of the foundation. The private developer is going to construct a shopping mall directed by the foundation. Moreover, the city and the foundation are going to work together in a park development. That is absolutely new for San Diego.

There are several examples of innovative approaches of foundation involvement in public-private partnerships for economic development and urban revitalization. Foundations are nonprofit organizations that might have a profound impact on urban revitalization particularly neighborhood development. Nonprofit organizations and particularly foundations have increasingly become more important in redevelopment efforts especially in older towns in the East and Midwest of the US. According to the CED, private foundations use two basic instruments to contribute to revitalization: "grants" and "program-related investments" (CED, 1982:53). Monetary contributions are common and typically made through company foundations. For instance, the Mellon Foundation in Pittsburgh, made gifts to the city to foster redevelopment and was even involved in redevelopment actively. Foundations have also been pertinent to redevelopment in Minneapolis and Saint Paul (Brandl, J.; Brook; R., 1982:174-198). Essential are here the Dayton-Hudson Foundation and the McKnight Foundation. The Dayton-Hudson Foundation is a Minneapolis-based company foundation that first developed a neighborhood development project and then funded the local community development corporation. The neighborhood partnership was a rather traditional corporate philanthropic effort of a foundation. In contrast, the McKnight Foundation was substantially involved in a partnership extending the traditional role of foundations in urban redevelopment. Instead of only committing grants to redevelopment projects, the McKnight Foundation invested in an urban development project. The foundation embarked on a more "aggressive philosophy of philanthropy" (Brandl, J.; Brook; R., 1982:184). More specifically, the foundation undertook a program-related investment. That is, instead of a grant, an investment loan made to the development project and these monies were recouped and returned to the foundation to be used again (compare: Brandl, J.; Brook; R., 1982:184). Hence the city and the foundation embarked as partners on a project in that the foundation made significant investments. The Ford Foundation is also involved in program-related investments through loan guarantees and funds for enterprises. "A unique organization that departs from the traditional private foundation model is the Enterprise Foundation" (CED, 1982:54). The foundation owns the Enterprise Development Corporation. Profits from this corporation are used for housing

[25] www.ci.la.ca.us/CRA/glance.htm

programs for low-income people. The examples describe a new role of foundations in urban revitalization through direct involvement beyond the traditional philanthropic efforts. Pamela Hamilton assumes that this kind of public-private partnership will be happen more in San Diego in the next years.[26]

[26] Phone interview with Pamela Hamilton on the 17th of December 2000

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