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Rehabilitating Historic Districts through Public-Private Partnerships

by Larisa Ortiz

The question of how to finance the rehabilitation of historic districts is one that requires special attention. Unlike new developments, these areas are mired in a complex set of pre-existing social, political and economic conditions that make investment riskier and many times more expensive than new construction.

In Latin America, as in most countries, urban redevelopment is complicated by issues relating to diversity of ownership, antiquated systems of infrastructure, ensconced political systems, and in many cities, an established perception among city residents that the city centre is both inconvenient and unsafe. Furthermore, up until recently, most Latin American cities lacked both the financial mechanisms and the political initiative necessary to initiate the recuperation of their historic districts.

New Opportunities and Challenges

Today the situation is changing drastically. As new regional market alliances such as MERCOSUR and NAFTA have emerged, cities have found that remaining economically viable in the global marketplace will depend on their ability to remain competitive. In this context, the historic city centre cannot be ignored. It not only represents millions of dollars in infrastructure but the city centre is also a highly symbolic and potent symbol of the country's overall economic health.

In an attempt to change these images, and thereby attract not only investment, but also tourist dollars, many cities in Latin America have begun to develop innovative new approaches to financing that are effectively responding to the special challenges presented by historic districts. Not coincidentally, this also occurs at a time when the political structure has moved towards decentralization, ultimately augmenting the power of many municipal governments, allowing them to experiment more freely with new methods of financing and to create links with the local private sector that have never before been forged.

A New Alliance

The experiences of two Latin American cities, Santiago de Chile, Chile, and Quito, Ecuador, make clear that a new form of alliance is emerging between the public and private sectors. Most importantly, both cities have taken pains to create organizations that actively foster trust and communication between the public and private sectors. As the Habitat II dialogue on “Finance and Cities in the Twenty-First Century” concluded, “*Private-public partnerships, by definition, require mutual trust and respect as well as transparent terms and conditions to sustain the relationship.*” Whether this has occurred through participatory planning methods, as in Santiago de Chile, or through the successful completion of projects that genuinely involve the private sector in partnership roles, as in Quito, the participation of the private sector remains the primary component of these programs.

Secondly, a new economic and political mindset is being developed with regard to the redevelopment of such diverse and unique areas. Successful redevelopment schemes have demonstrated that the most vital issues are not ones that can be relegated to design teams. As countless urban development professionals have found, improving and diversifying the economic base are key to making the rehabilitation of historic buildings financially feasible. With this in mind, many financing and development institutions are adjusting their loan requirements and changing their investment strategies to include methods of improving the overall investment climate.



A historic district in Santiago de Chile

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Quito: Improving the Investment Climate

Such is the case of Quito, Ecuador, where the InterAmerican Development Bank is funding an innovative redevelopment project with a loan of US\$51 million. The loan has been used to develop La Empresa del Centro Histo (ECH), a public-private development organization whose specific objectives include attracting private investment to the historic district through a number of methods, including improving transportation access to the area and resolving conflicts in the use of public space. Practically, this has translated into a plan that includes the modernization of infrastructure, the construction of parking lots, the fortification of existing educational and financial institutions in the area, and the formation of alliances with private sector businesses in strategically-located rehabilitation projects. The municipality of Quito hopes that by improving the quality of goods and services that the historic downtown district offers, these areas can more successfully attract private investment on their own.

However, improving the investment climate alone will not entice many investors to undertake projects that are still perceived as risky ventures. To combat this perception, ECH has entered the market itself, serving as “partner” in many pilot projects so as to prove their initial financial viability and future potential. It is hoped that these projects can then be privatized through a competitive bidding process. While the programme remains in its initial stages, there are signs that the private sector is taking notice. Land values, which remained around US \$40 per square metre have begun to rise, indicating that demand for real estate in the historic district is on the increase.

Santiago: Developing Open Lines of Communication

The Corporation for the Development of Santiago (CDC) is another example of a private, non-profit institution that has thus far been successful in attracting new investment, mainly in the area of housing, to the city centre. While the primary source of funding for the programme is the City of Santiago, the private sector plays an integral role in the provision of information, guidance, and institutional support. At both the grass-roots level, where neighbourhood community organizations (developed with municipal support) communicate directly with the Corporation, and at upper organizational levels, interaction with the private sector is fundamental to the planning process.

Structurally, the institution is presided over by a Board of Directors that includes members of financial and educational institutions, representatives from the Chamber of Commerce, and various public officials. Including the private sector has helped to not only facilitate communication between these sectors, but has also reduced the overlap of funding and helped to organize the redevelopment of the city centre.

In theory, public-private development corporations are well supported in the literature. These cities, by simply attempting to link theory and practice, have taken important steps towards proving that saving the historic city centre is both necessary and feasible.

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