

PRIME MINISTER

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Thank you very much
I should like to meet some
of the visiting people you referred to
CCH Booth

23 October 1987

TRANSATLANTIC INNER CITY REVIVAL

VISIT TO USA 24th SEPTEMBER - 7th OCTOBER

The wide objectives of this fact finding trip were:

- (1) to uncover ideas, policies or attitudes that are leading to the revival or revivification of the Inner Cities (or Downtowns) in the USA.
- (2) to find ways of succeeding in this process at least cost to the taxpayer.

Subsidiary objectives yielded ideas relating to Crime Prevention and Football Crowd Control that form no part of this report but which will be used elsewhere.

Introduction

What was most impressive in this trip was the scale and level of partnership between public and private sector. There was almost no example of the US equivalent to the DoE pulling up the drawbridge on the public. Public sector in the States has come out of its fortress to form full working partnerships to tackle city decay. The UK Government unlike the American Government is still inclined to do things such as building factories in depressed areas (English Estates) without a thought that this could be a partnership between public and private. "Go-it-alone" state-run ventures play no part in the US Government approach to the Cities.

Secondly I was very struck by the local neighbourhood action and the acceptance of personal responsibility often based on the Neighbourhood School or Church which formed the power

house for much city revival as a source of ideas, support and volunteers.

Thirdly I was impressed by the range of leadership options for us. Equating what I saw leads to the view that we should encourage leaders to come from both local top brass OR from council tenants; anyone with drive, vision and flexibility but always local never 'posted-in' Civil Servants.

The role of not-for-profit Foundations was crucial as was Government "gap-financing" (equivalent to our Derelict Land Grant). In some places planning deregulation was said by successful developers to be essential in bringing them in. Everywhere 'leveraging' private with public finance was the method of financing difficult to develop projects.

Confidence boosting mechanisms for business to return, relocate or stay in "Downtown" were consciously employed. Confidence would be boosted by anything from repairing the center city square to rebuilding the port but even these seemed invariably to be paid out of both private and public pockets. I briefly touch on examples of all these in the report.

The report (A) highlights best cases only by City visited and (B) briefly discusses politics and financing.

Washington

The North East of the City is a depressed largely black community as run down and potentially volatile as anything there is in the US and may be worse than anything we have. Here in a public housing zone lives Kimi Gray. Nationally there are only 1 million publicly owned houses. Mrs Kimi Gray is an unemployed black woman who has led her people locally to keep their children in school. She has the remarkable facility of motivating teenagers to learn skills.

✓ She has brought down local crime, drug taking and increased respect for the Police and now she has arranged to buy out the equivalent of her entire council estate. I have a video of her which I would like to show you. It shows a jig-saw piece we desperately need.

(I had several dozen meetings with officials and politicians which go only to background.)

Baltimore

Baltimore's Port failed as Liverpool's has. Its raison d'être passed away as much as Liverpool's. It is tempting to argue that without an economic base a city should be allowed to close down. [A Senator from Maine visiting the depressed city of Los Angeles in 1923 wrote of the city in his report to Congress that "Los Angeles should never have been built where it was". But that was before the advent of the cinema that bought Hollywood and boom times back to Los Angeles.] So too new life has come to Baltimore as it could come again to Liverpool. It seems two ingredients must include an economic magnet or catalyst which could be a national "best" but it is preferably a world "best". Local leadership must harness local consent, revive local confidence and must provide vision.

In Baltimore the pivotal leader was Walter Sondheim a local business man who was shocked by city decay and the closure of a major retail shop in 1956. Since then he has led the planning and execution of the city miracle. I cannot report that this was achieved without public money. The first \$47 million was publicly funded but they have leveraged a billion or more private dollars. Mayor Shaeffer was important later in 1972 but private sector led planning had gone before and followed after Shaeffer became Maryland's governor. Significant in Baltimore was the flexibility towards planning, the recycling of the old port facilities

as a major tourist attraction and the amazing Rouse shopping "experience" - similar to John Hall's Metro Centre in Newcastle.

New York

Across the bridge from Manhattan is the worst urban blight I have ever seen in an advanced country. The Bronx has block after block of tenements just boarded up. Brooklyn is little better. Happily we have nothing as bad. Apartments are taken for non-payment of city tax and there is less public sector action than here to dispose of unused property!

Three comments: firstly public/private partnerships are genuine (the Deputy Mayor came out of her eyrie to attend the local "partnership office" not the other way around). Secondly, neighbourhood action is particularly active. Thirdly, I came across a Mr Grant Graves who I want to bring to England. He is a leading black businessman whose office walls display the literally hundreds of honours accorded him by cities and states for his work to promote black enterprise. Coming with nothing but Methodism from Jamaica he now controls among his many businesses, worth many millions, a chain of newspapers and magazines. One of these we need in Britain. It is the black equivalent of Fortune 500. It illustrates the most successful black businessmen and acts as a wonderful role model educator. I have persuaded people over there to take up the idea. You might like to include Mr Graves at the Inner City Seminar you intend to have.

Cleveland

The Rockefellers left Cleveland in the 1920s. Hundreds of thousands have left since. For years its waterside position on Lake Eyrie has been the scene of dereliction and a

restaurant aptly described as a "greasy spoon". Now all this is viewed as an opportunity to attract tourism and investment. Cleveland illustrates the importance of positive local attitudes. For years the dereliction and the failed local theatres were part of the problem. Now they are part of the solution. With the change of attitude came inward business investment - incidentally joined by BP with its purchase of SOHIO. Local leaders, both business and political, are changing people's attitudes. Interestingly what they plan to do with the port is heavily influence by Baltimore. It was heartening to see the spread of best practice.

Indianapolis

In the past Indianapolis was so anonymous that it was cat-called "India-No-Place". I found it the most exciting city I visited. The city leaders had decided to specialise in Sport. The private sector, including industry, with heavy support of the not-for-profit Ely Foundation (worth \$2.3 billion) both led and followed the City leaders; notably Mayor Hudnut III. While the UK lacks good city councils in many of the areas that most need regeneration the methods Indianapolis adopted could be pursued here. They

(a) Involved the local people: citizens were asked for their views and asked to subscribe \$25 for a brick to pave the central city square. The bricks were inscribed with the donor's name. The people thus made a statement of commitment to the worst part of the town. Business confidence was boosted. Politicians got good publicity! And a once derelict area was beautified.

(b) There was excellent logic or symmetry in their

development. No building had just one use. Everything was designed for economic efficiency and multi use. So when the offices and day conference centre closed the sportsmen came to use office car parks and conference centre space in the evening. Multi-use justified the best and the best in town attracted international sports use with business spin-off..

- (c) Public/Private-Business/Private-Charity partnerships were here elevated to almost a philosophy. The national organisation "Partners for Livable Places" was very active.

Twin towns of St Pauls/Minneapolis

Even run down cities deserve headhunters. St Pauls headhunted reputedly the world's best urban planner - an American Chinese, Mr Weiming lu - whose splendid designs dispel gloom and in themselves attract notice and business. He too is someone you might invite to your seminar. He is paid not by the city but a private company sponsored by another not-for-profit Foundation. His powers to persuade and partner public sector planners in a common aim is as significant as his design.

St Pauls illustrated as did several others how cities had made an effort to think through all the reasons why business both international and national might locate there. So the city "Partnership" would stress the importance of making the place "liveable" and so would encourage arts, culture, housing, hotels and education. The art, design and cultural input is lacking from some of the UK inner city policy. It must of course be part of the package. Richard Luce could be included in ministerial discussion of the topic.

(B) Politics and Finance

"The more Reagan challenges corporations to do more the more his ratings go up", said a top aide on Capital Hill. This appears true despite his urban spending cuts. In 1981 when Reagan cut housing subsidies there was considerable groaning that disastrous results would follow. Five years later as I was told 'Local people took over'.

Reagan set out an action programme with no reports! This was to avoid minority reports and time wasting. He cut all Federal grants to the cities (principally the HUD and UDA grant money) and as one Democrat New Yorker said 'We do more now without Federal bucks though we are slower without them'. Even the Democratic Senator Proxmire said that Federal housing expenditure was wrong because it was wasted.

By contrast Johnson promised too much. His 'war on poverty' turned out to be a sham. The Marshal plan for cities on the 'spend, spend, spend' principles failed. It was linked to Central Government dictat which hopelessly omitted to capture local initiative.

Today four points emerge:

(1) Public sector money is critical in certain limited instances. I spoke to Bank Presidents and developers who said that without the last 5 or 10% of the Federal 'gap-financing' they would have backed development in the suburbs rather than downtown where site clearance is expensive. This was analogous to the British derelict land grant.

(2) The way in which public money was spent was significant. In Flint in Michigan comparable in size to Baltimore the same public money was spent. But in Flint the money was spent over too wide an area to have an effect. In

Baltimore it was injected in the 'Inner Harbor' area with noticeable effect giving business the magnet to come in.

(3) City marketing and promotion was crucial in many areas. Public money was wisely spent in new Jersey.

(4) Finally the method of public/private financing of partnerships took dozens of different forms. One example which allows you into the nuts and bolts of one was the construction of a group start-up business spaces in Minneapolis.

a. A developer owned a run-down factory/warehouse containing space for start-up businesses. He could not borrow to do so because the asset value of his premises was too low and the risk was too great for the Banks.

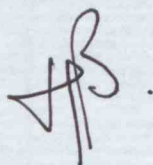
b. Public sector felt it could take the risk on terms as follows. The City kept space for 20 businesses which it let at attractive rates to start up firms. The owner received \$500,000 and provided 10 business spaces. From his commercial letting of the 10 he will pay back the \$500,000 over 10 years. Thirty businesses were housed.

Conclusion

1. Partnership between public and private sector is crucial in the US and could have a more significance in the UK where there is a cultural block between public and private sectors working too closely together even for a common aim. I would like to prepare a note by next weekend on how this partnership would work in the UK.
2. These partnerships bring in the public in consultation,

gain their support, voluntary action or finance. Thus the partnerships reach all sections of the private sector - the citizen, the not-for-profit organisation, the corporation as well as the public sector.

3. British neighbourhood action has far more scope for action not only on the US model but based on the responsibility harnessed in the 40,000 neighbourhood watch schemes.
4. Thanks to corporate and more particularly the not-for-profit organisations the Reagan inner city budget cuts have not been disastrous. Far from it, they have focussed peoples minds on direct initiative. However, small amounts carefully spent by Government are crucial in some places.



HARTLEY BOOTH



10 DOWNING STREET
LONDON SW1A 2AA

PERSONAL

PRIME MINISTER

9 October 1987

May I congratulate you on your speech today.

I returned from the United States on Wednesday and will report fully next week. I am now excited by the opportunities for the inner cities and I believe I have brought back some workable suggestions.

pp *Hartley Booth*

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