

Bond Case Briefs

Municipal Finance Law Since 1971

Corporate Entrepreneurs Are at the Heart of Downtown Revitalizations.

Private-sector actors are reshaping the center of some cities in ways local governments no longer have the ability to do themselves.

Leah Eichhorn is thrilled to be back in her hometown of Dubuque. Like a lot of educated young people, Eichhorn packed up and left once she became an adult, lighting out for Phoenix back in 2000 because there was so little opportunity where she'd grown up. The Iowa town, which sits alongside the Mississippi River across from Illinois and Wisconsin, had lost most of its manufacturing and agricultural sector employment during the 1980s, leaving it at one point with the worst unemployment rate in the nation.

But something surprising happened five years ago. The city convinced IBM that it should move a large IT operations center into an old department store downtown. The company brought with it more than a thousand jobs—a big deal for a community of 60,000—and has helped spark a revival that has quadrupled employment in the city's historic downtown core. "IBM really catapulted it forward," says Eichhorn, who works as a manager for the company, enjoying the type of professional career she once thought impossible to achieve in Dubuque. "We have great potential to keep people here, rather than running to Phoenix."

Creating opportunities and retaining the local best and brightest has long been the dream of many struggling communities. These days, many cities are getting a lot of help on that front from companies that see great potential in downtowns. In some cases, private-sector actors are reshaping central cities in ways local governments no longer have the ability to do themselves.

The examples getting the most attention just now are Las Vegas and Detroit, where Tony Hsieh of Zappos and Dan Gilbert of Quicken Loans, respectively, have invested hundreds of millions of dollars in downtown projects that are not only boosting employment but also reshaping the entire landscape. The reality is that they are creating the urban infrastructure that they want around them—parks, transit, better sidewalks—in ways that builders of one-off projects rarely have to worry about. "Most real estate developers are about 'give me a permit,'" says Otis White, a civic consultant in Atlanta (and a onetime *Governing* contributor). "These guys are about building a community where there hasn't been one."

Quicken CEO Dan Gilbert wants to use his company's downtown Detroit headquarters as a catalyst for redeveloping the city's core with streetcars, wider sidewalks and pedestrian-friendly plazas. Rock Ventures

Other companies are pursuing similar visions, from Amazon building itself a whole new neighborhood in downtown Seattle to Facebook's blueprints for a \$120 million housing complex for its workers in Menlo Park, Calif. "Every city that's struggling, that's trying to get back on its feet, that's trying to make its downtown matter again ... needs a private benefactor," *Deadspin* editor Will Leitch wrote in an online column last fall, lamenting that Cleveland's main benefactor—Quicken

Loans' Gilbert—was distracted by putting so much of his time and money into Detroit.

But it's not just billionaires and big tech and financial firms that are reshaping downtowns. Think of the growth that's taken place around the University of Pennsylvania in Philadelphia, Georgia Tech in Atlanta or the Texas Medical Center in Houston. In Salt Lake City, the Mormon Church opened the 20-acre City Creek Center two years ago, perhaps the largest mixed-use development to emerge since the recession. In all these places, anchor institutions are not just reshaping their immediate surroundings, but also acting as catalysts that generate further development and job growth. "In Salt Lake City, in everything I do, I'm working arm in arm with the private sector, both profit and nonprofit, to allow us to do the things we want to achieve for our city," says Mayor Ralph Becker. "I find it an encouraging and probably even more necessary piece of what we do going forward."

In a sense, there's nothing new about any of this. Cities have always depended on private actors to create jobs and put up buildings. But the big story over the next several years will be the amount of growth that will be clustered around these centers, says Bruce Katz, director of the Brookings Institution's Metropolitan Policy Program. It's not just hipsters who want to be in downtowns, he notes, but also innovative companies that see the value in locating near similar companies. Once a major institutional initiative changes the story about a downtown, it can trigger a wave of investment and capital coming into a city. "What it also reveals is that cities are networks, not governments," Katz says. "At any given time, a different set of leaders can step up and fill a vacuum. They have the discretionary resources to apply that in many places government doesn't have anymore."

Dubuque was a city on a downward spiral. With the collapse of the farm economy in the 1980s, the city watched as the Dubuque Packing Co. closed up shop, and then as John Deere—still the city's largest single employer—sliced its workforce by about three-quarters from its peak. Everyone in town, it seemed, either lost his job or had a relative who had. All told, Dubuque lost 10 percent of its population.

Then IBM moved into an empty Depression-era department store. The shoppers who had once filled its nine stories had long since taken their business elsewhere. The morbid joke locals tell about downtown was that it was so dead, you could shoot a cannon down Main Street and not risk hitting anybody.

Landing IBM for its downtown was a huge coup. "When you see the list of places competing for that IBM IT center, you would have never thought Dubuque had a chance," concedes Mayor Roy Buol. But the lesson Dubuque learned from its hard times was never to depend too much on any single large employer. Rather than a pair of companies with several thousand employees each, Dubuque now boasts a number of employers—in publishing, medical services and manufacturing, as well as long-standing insurance and banking businesses—with several hundred workers each. IBM's building is just one of four former downtown department stores that are filled with white-collar workers.

Dubuque's current success arrived incrementally. It tried every economic development trick in the book—casinos, a pedestrian mall, a riverfront convention center. What ended up working could almost seem like an accident, if it weren't the result of years of hard work and planning. City and civic leaders could either pack up and close down the town or maybe struggle mightily to hold onto what employers they still had left, as so many communities do.

But there was a third option as well. The city could try to create a vision that everybody bought into and was willing to work together to bring about. "It wasn't foresight, it was pure pain," says Dan McDonald, vice president of the Greater Dubuque Development Corp., an economic development

agency. “We had one out of four of our citizens out of work.”

The idea sounds kind of kumbaya, but Dubuque has been able to foster a culture of collaboration that includes every conceivable actor in the area on major projects. People don’t always agree, but everyone gets to have their input as the process moves forward.

Greater Dubuque acts as an ongoing convener, holding nearly 500 standing weekly and monthly meetings a year with city agencies, utility companies, community colleges and other players—private companies and nonprofits alike. It also goes out and interviews the owners of more than 200 local companies on an annual basis. “Zoning issues mentioned in passing can be handled before they’re on the front page or a business leaves because of them,” says Cori Burbach, sustainability coordinator for the city.

It’s more than just a collaborative style of customer service. When the IBM project surfaced, Dubuque was able to convince the company that its culture of working together to identify and rectify problems wasn’t just happy talk, but something the company could rely on. When IBM expressed concern about the local talent pool, Greater Dubuque downloaded and printed off 600 relevant resumes aspirants had put in its job-search database. During an early conference call, the city gathered nearly two dozen individuals from both its own agencies and the private sector to answer any questions the company might have. One of its competitors in the South, by contrast, had the mayor handle the call by himself on a cellphone with spotty service.

Dubuque’s civic culture may have drawn IBM, but now it can call on IBM itself to help out. As Mayor Buol says, IBM’s presence means the city is essentially “preapproved” when other companies are considering relocation. Representatives from IBM just made a trip with Gov. Terry Branstad to New York in hopes of drumming up more business for the town. “It is a good selling point,” says Tom Coffas, who heads IBM’s local office. “They don’t have to say, ‘This is stuff we can do; we think we can support you.’ Instead it’s, ‘We have IBM, and we’ve shown we can accommodate you.’”

No matter how big the employer, there are always concerns about turning into a heavily reliant company town, or letting the downtown become a corporate campus. There will always be bloggers and local residents who complain that tax breaks and other policies are too generous to big business. But city officials today know their downtowns need anchor tenants, the big firms whose importance lies partly in convincing other companies that the area is attractive. Now, rather than everyone in a family having to rely on one or two local employers, as was the case for Dubuque in the past, when individuals come to Dubuque for a job with IBM, their spouses can hope to find jobs with any of several other companies. And they’ll find more amenities in town available as a result: With the corporations come the coffee shops. “There’s actually a pretty vibrant nightlife, and there are a lot of young professionals moving in,” says Derek Elgin, who relocated from South Carolina two years ago for a job in publishing.

Since IBM opened up shop in Dubuque nearly five years ago, 250 residential units have opened up downtown. The most striking examples are in the Millwork District, a 17-square-block conglomeration of massive old industrial sites that had long sat empty but are now starting to be occupied by airy condos, law firms and art galleries. To lay the groundwork, the city used federal grant money to replace century-old utilities and spruce up the streetscape. “We see ourselves as a partner for the developer,” says David Johnson, an assistant city planner. “We want to be a resource, rather than an obstacle.”

Dubuque’s downtown went bust at the right time. The city has been able to preserve many handsome old brick and masonry buildings that are now being repurposed. You can still buy feed and seed in downtown Dubuque, but you’re much more likely to encounter boutique shops and

restaurants selling high-end chocolates or dishes like lobster mac and cheese. There's so much construction and renovation going on that Emily McCready was able to convince the architecture firm she works for in Tulsa that it ought to open up a local office to take advantage of the business prospects. When she was growing up in Dubuque, there simply weren't enough jobs to convince aspiring professionals that they should stick around. "You went away for college and there was no pressure to come back," she says. "We always wanted to come back here, but we didn't think it was possible."

McCready moved away 15 years ago, but on recent visits back she could see that the city was changing fast. IBM's presence was bringing in a more educated and diverse workforce. People still joke that Italians help diversify a town that's historically been mostly Irish and German. But now Dubuque boasts two cricket leagues to accommodate the many South Asians and other new residents who are addicted to the game. Not only is Dubuque drawing types of people it had never welcomed before, it's seeing the return of native daughters. It seems impossible to strike up conversations with individuals in their 20s and 30s and not find some who had moved away to Colorado and California, but are now glad to be back. Allison Mitchell, for instance, recently returned after three years in Los Angeles, where she worked as a "celebrity swim coach and nanny" for the children of film stars.

Admittedly, jobs like that still can't be found in Dubuque. But there's plenty of work. Since hitting a trough with the recession in 2009, the Dubuque area has gained 4,600 jobs—an increase of nearly 9 percent. Last fall, the U.S. Department of Commerce dubbed Dubuque the fastest-growing area in the state and the 27th-fastest growing metro area in the country. When McCready was growing up, more than half the storefronts on Main Street were vacant, but when she opened her firm's satellite office in November, she was unable to find a vacancy and had to settle for an address just off Main Street. "I think there's always going to be work here," McCready says. "IBM coming into the city was a huge confidence boost for people."

Thirty years ago, there was actually a billboard in Dubuque asking the last person to leave to turn off the lights. Today, there are stickers above the light switches in city conference rooms requesting the same thing. It's a small part of the city's sustainability program, a top priority for Buol that has become the city's main ongoing collaborative effort with IBM.

The company is using Dubuque as a test kitchen for its "smarter city" products and services, running several pilot projects on water, electricity, mobility, health and waste. Rather than monthly water meter readings, for example, hundreds of people were able to track their water use online with updates available every 15 minutes. By seeing what they were consuming in real time, people could get a sense of what might be driving excessive usage. In one case, parents were able to find out their kids had held a party because of a spike at 2 a.m. one night when the grownups weren't home. More fundamentally, says Chris Kohlmann, Dubuque's information services manager, the city was able to point out likely leaks in the sewer system and even gather enough data to learn to anticipate situations where pipes should be replaced before leaks start.

The result was a significant reduction in average household use of water and other services. IBM and Dubuque have received a plethora of awards for the pilot projects, and work done in Iowa has become the templates for projects from Australia to Turkey. "What happens in Dubuque doesn't stay in Dubuque," jokes Milind Naphade, IBM's Smarter City Services director.

As with any pilot project, taking the ideas up to scale can be challenging. IBM's ideas might still be expensive for the small and medium-sized cities that are nimble enough to put new public works strategies into place. "A challenge for IBM is making these tools affordable when they go to market with cities of our size," Kohlmann says of her small city.

But what may really be difficult to replicate elsewhere is not the gee-whiz environmental changes but the basics behind Dubuque's comeback. There isn't always 100 percent agreement about what approach to take, but various stakeholders in Dubuque feel like they've at least had some input and can understand the strategy that ultimately prevails. Just as meters keeping close track of water use can help cut down on use, so can ongoing collaboration smooth out problems for any project along the way. It ends up that people don't care so much about getting credit as getting it done. "It's not rocket science, it's communication—it's dealing with problems in real time," says McDonald of Greater Dubuque.

It may seem like no big deal that people from different entities and sectors try to pull together, but it's surprisingly rare. In many parts of the country, people from separate agencies or jurisdictions can't even name their counterparts, let alone maintain ongoing working relationships with them. "I've heard the stories about the days when these groups didn't know each other or have many connections to each other," says Kurt Strand, head of McGraw-Hill's Dubuque office, who moved to the city eight years ago. "But they all saw the need to find ways to create jobs and bring people here."

When IBM expressed interest in working on a research project with the city, Dubuque was able to draw not only on its own existing sustainability efforts, but its practice of collaborating on large-scale projects. Naphade and his colleagues were surprised when they came to town for an early brainstorming session and found that the event had been booked in a hotel ballroom. It turned out the city had convinced 83 individuals it would be worth attending. "It's hard getting two people together in a city, but that has been the hallmark in Dubuque," says Naphade. "I would say that when Dubuque talks about partnerships, it's really not hollow talking. They're very good at it."

BY ALAN GREENBLATT | JANUARY 2014

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com