

Hudson Institute

Is There Life After Big Government?

The Potential of Civil Society

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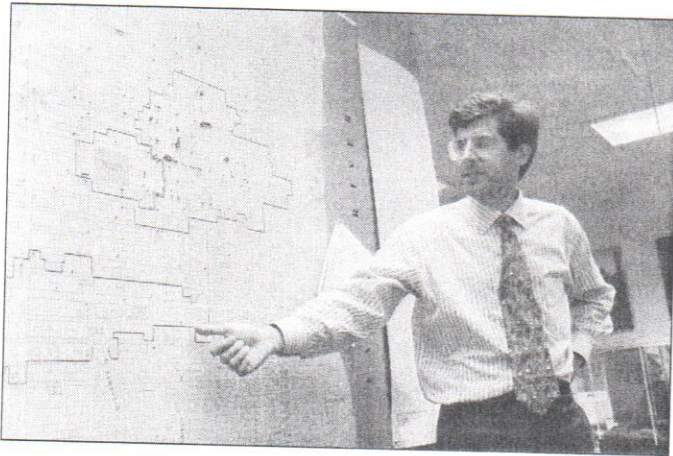
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Project on the New Promise of American Life

Grand Central and 34th Street Partnerships

The streets and parks of America's great cities have earned their sordid reputation. Reasonable people fear becoming victimized. Filth and graffiti offend the senses. Homeless panhandlers appear to have taken over every corner, vestibule, and park bench. Seemingly powerless in the face of these conditions is big city government, mired in bureaucratic indifference, inefficiency, and indolence.

That's why someone wandering into New York City's Bryant Park might wonder if he had stepped into an earlier century. The park, located directly behind the New York Public Library at 42nd Street and 5th Avenue in the heart of mid-town



"We believe we can manage differently than the public sector," says Dan Biederman.

Manhattan, is virtually spotless. The fountain works. The walkways are composed of carefully laid stone. The gardens are well tended. The plentiful benches and chairs are not the domain of vagrants. In pleasant weather, there's even apt to be a concert, lecture, play, or reading. The large numbers of people the park attracts can feel safe thanks to the visible presence of security guards.

The pristine condition of Bryant Park is due to the fact that this public park is operated by a private nonprofit company, the Bryant Park Management Corporation. The company's president, Dan Biederman, a speedy-tongued Harvard M.B.A. in his

early forties, was working for a systems consulting firm in 1980 when he was hired to fix Bryant Park, then a dank, dangerous, and unused city-run park.

"The New York Public Library needed major restoration," Dan recalls, "and the board went to the Rockefellers for a \$3 million grant to attend to some deferred maintenance on the building. The Rockefellers went and looked the place over. Then they called Andrew Heiskell, who was going to become chairman of the library, and said, 'You must also take care of that park that surrounds the library.'"

"When they hired me to do the job, they said, 'We don't know how to do it, but you have to fix the park.'" Biederman formed the Bryant Park Restoration Corporation and embarked upon a major restoration of the lawn, gardens, and walkways. At the same time, he devised a plan to keep the park safe, clean, and attractive, and set up a business improvement district to take over the management of the park from New York City. "It's not that hard," he boasts. "We just modeled ourselves after the people who really know how to run public spaces like Rockefeller Center, Rouse, and Disney."

The experience of restoring and operating Bryant Park made Dan Biederman a pioneer in the private-sector funding and management of public services. In the years since, Dan has launched two larger privatization efforts that have become very successful start-up companies: Grand Central Partnership and 34th Street Partner-

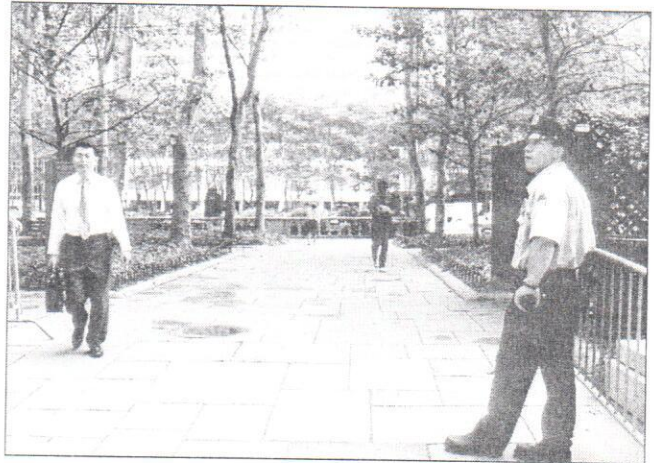
ship. The two private partnerships provide property owners and tenants in more than a hundred blocks of mid-town Manhattan surrounding Grand Central and Penn Station with services ranging from security and sanitation to care for the homeless. They are called partnerships because they represent a joining together of property owners and a nonprofit company—with cooperation from city government—to improve conditions in the public areas of a specific city district.

Under the law in more than forty states, a business improvement district or special services district can be established that operates similar to a water or sewer district. The district can create its own source of revenue. In the Grand Central and 34th Street districts, which include landmarks such as the Met Life building, the Chrysler Building, and the Empire State Building, property owners are assessed between fourteen and twenty-one cents per square foot, above the regular city taxes. The city collects the assessment and then relays it to the private nonprofit service provider hired by the district, in this case, Dan Biederman's companies, which derive most of their combined \$21 million annual operating budget from such funds.

Biederman was able to sell the idea of a privatized special service district to real estate owners fed up with government's inability to ensure that "the path to their entrance is clean, no crimes are committed around the corner, and there is no graffiti." Unlike the case with city government, the property owners in these two districts have real control over several basic services. Biederman and the four hundred and fifty people he employs answer to them. The Grand Central and 34th Street Partnerships have boards of directors, made up of property owners, that can terminate the funding of Dan's company if it isn't delivering on its promises.

Perhaps that's why Dan has been so successful. During the first four years of the partnerships, crime has been cut by as much as 47 percent, streets and sidewalks are now spotless, street drug sales have been eliminated, and homes have been found for more than six hundred formerly homeless people.

"In these two sections of New York City, two districts in midtown, we are, in effect, providing a large amount of the visible service. When you see a person in uniform, he or she is likely to be a district employee. Policing the streets, sanitation, helping the homeless, removing graffiti, removing stickers from poles, planting flowers, caring for trees—we are doing all of these." The services Dan's company provides usually supplement, rather than supplant, city-provided services. The company does not deal with water, sewer, subways, or schools, for instance. "We don't haul the trash out to Staten Island. The Sanitation Department does. We just deal with the visible things that offend the senses."



There were 144 robberies in Bryant Park in 1979, but there haven't been any since Dan Biederman's team took over.

There is nothing mystical about the methods Biederman and his colleagues use to achieve success where New York City government has often failed. More often than not, it is the application of common sense, creativity, and market incentives that have made Bryant Park and the Grand Central and 34th Street districts clean, safe, and relatively free of panhandlers. Part of their success comes from the knowledge that the conventional wisdom about urban problems is usually wrong.

For instance, in regard to sanitation (including trash, graffiti, and maintenance), Dan says, "The conventional wisdom is that New Yorkers aren't neat, that there's no way you can keep this place clean. The truth: It's very simple. And it isn't high technology. What do we see outside? Brooms, shovels, people in white uniforms emptying cans, sweeping. We give them a schedule, hire good workers and managers, make sure they enforce high standards, award merit pay, make sure they work a full eight hours, and don't let them chat on duty."

Dan's sanitation force stops sweeping the New York sidewalks at 7:00 p.m. and starts again the next morning at 7:00 a.m., before the commuters return. "It's clean when they arrive, clean when they leave. When they go home, they don't complain anymore about the filthy place they just left."

The Partnerships' security team members, like those in Bryant Park, are unarmed (except for supervisors) and wear uniforms very much like the ones used by the police. They circulate throughout their districts on routes that are small enough that would-be criminals have a good chance of seeing them. "When we started, the level of drug-selling up and down Vanderbilt Avenue and around Bryant Park was horrible. We've removed those bad conditions. How did we do it? We put ourselves in the middle of the drug scene: guards with bulletproof vests, unarmed but preventing the conditions by being visible, with a direct radio link to the cops."

When it comes to homelessness, Biederman contends that there are two conventional wisdoms. "One group believes that these are very unlucky people who are in this predicament because of the callousness of our society and the oppressive economic system that put them on the streets. The second group believes that these are crazy people who are just hopeless." According to Biederman, both of these judgments are ridiculous. "The way to help the homeless off the streets is to give them a better alternative. I would say 95 percent of them make rational choices. If you give them a better alternative to being on the street, they will come off the street."

That's why Dan created a homeless program to serve his districts. "We started with food, good meals—far better than the meals they were getting on the streets." In fact, Biederman hired former homeless men to walk the area, get to know the street dwellers, and invite them to three course meals served at the shelter, which is in a nearby building the corporation leases from the New York archdiocese.

The next step in getting people off the streets, he says, is to use peer pressure. "Everybody wants to do better than the next guy. So when they hit the first month with us, we give them a membership card that says they have reached the blue level. This means they are allowed to get meals and showers at the center. That's part of the lure—showers, humane treatment, reading material, videos."

From these blue card members, they try to draw out those who are serious about getting out of homelessness. "We make a speech the first or second week they are there, 'All of you who do not want to be on the streets anymore, we will get you jobs and apartments if you want them.' Those who raise their hands, we ask to be here at 3:15 p.m. tomorrow."

Usually half of the group that raises their hands drops out. Some are addicted to life on the street. Many have problems that keep them from continuing. But the Partnership's program keeps its doors open and is constantly admitting new "recruits." "You look for those who are truly ready to go into an employment program," Dan says. "Then we put them through a four- to nine-month work-training program with a stipend, which we call a pathway to employment." Since it began five years ago, Biederman's program has taken six hundred vagrants off New York streets and put them into apartments. He says over 250 of them are now fully employed and are paying their own way.

There are, of course, skeptics and critics of Biederman's efforts. Some people simply mistrust the private sector's ability to be fair in handling traditional municipal duties. Others don't like the competition. Homeless "advocates" who work in government-funded shelters, for instance, have accused his company of roughing up homeless men in the area. But what Dan encounters even more than critics are cynics, people who have given up on the possibility that our big cities can be made livable again. "Everybody told me we couldn't fix these neighborhoods. Every time we did, they said we couldn't do the next one."

Dan and his associates are very smart, focused, and aggressive, to be sure. And because his companies are private sector entities, they are nimble in ways that city government cannot be. Yet Biederman believes he can translate his success with Bryant Park and the Grand Central district to any blighted urban area because "what these areas really need is somebody who feels responsible for service."

It is because of the accountability of the marketplace and freedom from bureaucratic constraints that Biederman believes he can manage many things better than government. "We pick people with good skills and are very tough on them. I have real control. I can fire people who don't do the job. We have merit pay. I have really smart directors, who crack down on me if I don't do the job." In fact, the essence of this novel approach to restoring America's cities, Dan argues, boils down to the fact he will "get fired if the corner of 43rd and Madison doesn't look good." And, judging by that street corner and the rest of the sidewalks that make up the Grand Central and 34th Street Partnerships, it works.

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