TORPEDO - FROM LIABILITY TO ASSET

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INTRODUCTION

The effort to redevelop the obsolete industrial site of Torpedo implements a key part of a community-based strategic plan for economic development in Rijeka. In 2001, with the assistance of USAID, and within the Local Government Reform Project which is in the Republic of Croatia implemented by the Urban Institute, the City of Rijeka established a task force of business, community and government leaders to create a strategic plan for economic development (EDSP). The resulting EDSP designated redevelopment of obsolete, frequently bankrupt, industrial properties as among the highest priority strategies for creating a good business climate in Rijeka.

While there are several derelict industrial properties in Rijeka, international consultants with specific expertise in this area advised the City that concentrating initial efforts on a single property was most likely to produce a favorable result. The experience and skills gained during this project could then be applied to redevelopment of other derelict industrial properties. Moreover, a positive experience would make it easier to attract investors for future redevelopment projects.

The Torpedo property was selected as the first redevelopment target to implement the EDSP. Reasons for choosing Torpedo included the following:

– Torpedo has a highly visible and potentially valuable location on the sea near the city center

– The City of Rijeka has influence in the bankruptcy proceedings of Torpedo because it is a major creditor and a member of the Committee of Creditors.

– The site and the buildings have historic importance.
The large size of the site, more than 70,000 m², makes redevelopment unlikely to occur without public sector intervention.

Doing nothing to stop the decay of this property would have a negative impact upon Rijeka.

The choice of Torpedo was reinforced by subsequent negotiations between Rijeka and The World Bank, which has agreed to help finance redevelopment of the near-by Port of Rijeka and construction of a modern passenger terminal. There is excellent opportunity for synergy between the two projects.

The City of Rijeka promoted consideration of obsolete industrial properties as part of the EDSP and has taken the lead role in efforts to revitalize Torpedo. Officials from several city departments are contributing their expertise to the Task Force that created a concept plan for redevelopment and continues to lead necessary planning. The importance given this issue is shown in official documents adopted by the City Council - Guidelines for the period from 2001-2005, Guidelines for 2001 and 2002, and the Draft Strategy of Economic Development of the City of Rijeka.

With help from LGRP consultants, Rijeka has compiled information about other cities that had solved similar problems and gained insights from those experiences, including redevelopment of torpedo factories in Livorno Italy and Alexandria Virginia (USA). Early in the project, an expert involved in the redevelopment of the Swansea Wales waterfront was instrumental in convincing relevant officials that creative and pro-active redevelopment could succeed. This paper discusses the significance of torpedo and presents additional examples from other countries that are relevant to the redevelopment challenge. These examples are a source of ideas and demonstrate what can be achieved through creative planning and a commitment to long-term goals. They are offered as encouragement as well as information.

THE SIGNIFICANCE OF TORPEDO

The Torpedo site has significance in terms of history, location, economics, and psychology. Rijeka is far from alone in its need to redevelop obsolete industrial properties. Examples from other cities illustrate how hard work, creativity, and partnerships can build upon this significance to transform a derelict industrial property into an important community asset.

History

Most citizens of Rijeka – and the rest of Croatia - think of Torpedo as the tractor factory that provided jobs and income during the time of the former Yugoslavia. That economic contribution is important and is discussed below, but far more interesting from the historical perspective is the reason that the tractor factory took the name Torpedo. This is the site of the first torpedo factory in the world.
The launching pad, which still standing, is where the first torpedo was launched. It left the shore of Rijeka and sped through the waters of the Kvarner Bay toward the Adriatic Sea. The launching pad still stands, but it is badly in need of repair. Another building on this site was at one time the home of the Whitehead family, including the man who later became Commander Whitehead, the famous advertising symbol of the Schweppes Company.

In many places, people are proud of their stories - even frivolous ones like Commander Whitehead. They build museums, celebrate tradition and recognize the economic potential of commercializing notable history. Portland, Maine (www.portlandmaine.com) in the United States has turned an old fishing port into an attraction for tourists and residents. Emscher Park in the Ruhr Valley of Germany is a very innovative project that has implemented a policy to rehabilitate the old industrial buildings and to increase public awareness of their significance for the identity of the region. (www.iclei.org/egpis/egpc-039.html)

Until very recently, Rijeka ignored the heritage of Torpedo. It is difficult to find a reminder of the days when Rijeka created a world famous product. But that has changed. Now that people are learning that the torpedo was such an important product of Rijeka, entrepreneurs assisted by the City of Rijeka can use that story to their advantage. A praiseworthy example is the business initiative of the Potomac Company from Zagreb, which is famous for manufacturing Croatian ties. This company designed the fashion trademark of Torpedo and connected it with manufacturing of casual fashion, ties and souvenirs with the feature of torpedo. Within their marketing activities, Potomac Company decided for new forms of promotion: a music chart called Torpedo on Kanal-RI and a sign on the outfits of the football players of NK Rijeka. Eventually, Torpedo may show the way for additional economic and community development projects that celebrate the history and heritage of Rijeka.

Location

Because Rijeka occupies a narrow space between the mountains and the sea, land suitable for development is in short supply. Torpedo occupies more than 70,000 m² of relatively flat land on the sea just north of the city center. The Torpedo site is both large and centrally located. It also contains a small deep-water port. All these characteristics make the Torpedo site valuable and give it the potential to make a major contribution to the future development of Rijeka.

The sea access and small port are important locational advantages, and so redevelopment is starting with the fisherman’s port. The City has entered into a partnership with the Port Authority, which is making needed improvements in the breakwater and seabed. The concept plan calls for adjacent commercial development with a nautical theme that would attractive to both tourists and residents. This project will give a commercial purpose to the small port and provide a home for the fishermen who will be displaced by the World Bank financed rehabilitation of the Port of Rijeka and construction of a passenger terminal.
While the physical location is excellent, other aspects of location – the current levels of access and non-transportation infrastructure - limit the value of Torpedo for investors.

– An important aspect of location is ease of access, connections to the rest of the city. The torpedo site is connected to the city center and the west side of the city with a road and railway tracks. However, this access is limited and for the full value of this property to be realized, access must be improved. The type of access needed – pedestrian, private automobile, parking lots, public transit, water-based – depends upon how this property will be used.

– The Torpedo site is partially equipped with infrastructure (water and electricity), but that infrastructure was built as a unique and separate unit. Investment will be required to improve the infrastructure for new uses. Again, the specific improvements depend upon how the property will be used.

A popular and effective redevelopment strategy calls for a public-private partnership whereby the public sector invests to improve access and/or other infrastructure, making the target property more attractive to private investors. The publicly financed improvements support the desired type of development, and the private partners make investments consistent with an agreed-upon redevelopment plan. The ongoing transformation of the derelict Atlantic Steel property into Atlantic Station (www.atlanticstation.com) in Atlanta, Georgia demonstrates the power of this approach. An older example is Granville Island in Vancouver, BC. (www.granvilleisland.com) where an obsolete industrial area has become a thriving public market, retail and entertainment district with excellent and varied access to the rest of Vancouver.

Infrastructure improvements have been the topic of several meetings this year. The meetings were organized in Torpedo and attended by the new owners (five firms), new lessees, and representatives of the City of Rijeka and Hrvatska elektroprivreda. The City and HEP agreed to support the entrepreneurs by assessing the needs and then improving the water and electric infrastructure serving Torpedo.

Economy

The industrial production that occurred on this site was an important source of jobs and income for decades. As recently as 1989, the Torpedo factory provided good jobs for approximately 2,790. It contributed communal fees to the city budget and was an important component of the local economic base. Tractors from Torpedo were sold not only in the former Yugoslavia but also throughout the former Soviet Union. A common characteristic is that both those markets now have the word former in front of them. The workers tried to keep Torpedo alive – many stayed on the job even though their salaries were not being paid. However, the type of production that took place here is no longer competitive in a global, market-based economy, and eventually production stopped.
Redevelopment can return this property to economic use, creating new and different jobs and contributing again to the economic base of Rijeka. This has already begun to occur in a limited manner. New economic activity has created jobs and is providing some income. Some new owners and lessees have ambitious plans related to nautical production and servicing. Others continue the manufacturing production tradition of Torpedo with smaller firms engaged in locksmithing, assembling engines and assembling tractors. Also, there are new businesses - in anti-corrosive protection but also in trading – selling shoes. All kinds of SME are finding their place in Torpedo. The new entrepreneurs are facing problems related to high costs for adaptation of run-down spaces and workshops, investments in new technologies, investments in retraining workers, and separating the infrastructure from the entirety of Torpedo. The slowness of conservators in defining the cultural status of specific immovable properties adds uncertainty. Still, these entrepreneurs are persevering and the city is doing all it can to support them.

All properties except the three largest ex-production halls have been sold. These ex-production halls, which have a total area of over 27,000 m², are currently and offered for sale:

- An ex-tractor mounting area of 9,700 m² - approximately 2 mill Euro
- ex-motor/tractor production area of 12,000 m² - approximately 1,6 mill Euro
- ex-gear box/tractor production area of 5,600 m² - approximately 1 mill Euro

Proposed prices for these buildings are far below the replacement cost and are based instead upon the location, available infrastructure, and city zone. The buildings as they now stand have limited economic use and limited access that depresses their economic value. Their historic designation restricts physical redevelopment options to those that do not alter historic facades. Public subsidy will probably be needed to leverage private investment in these structures.

These buildings are so large that plans for economic re-use should consider a project involving multiple tenants rather than a single user. Examples would include making this a trade center, a new home for Rijeka Fair, a marketplace like that on Granville Island, an artists’ complex like the Torpedo Factory Art Center (www.torpedofactory.org) in Alexandria, Virginia. Many large old industrial structures have been converted into multi-tenant buildings for small businesses. Careful and creative planning should consider a variety of options - commercial, light industrial, retail/entertainment, recreation, and possibly even residential uses. These can be done while respecting the historic character of the buildings.

The enormous redevelopment project implemented between 1988 and 1999 in Emscher Park Germany demonstrates how creative re-use of industrial structures can create an economically viable future for obsolete industrial stuctures – some far more massive than the Torpedo buildings - while celebrating a by-gone industrial heritage. The German language website (www.iba.nrw.de) provides the most
detailed information, but this project is also described in English on the United Nations Environmental Programme web site (http://www.unep.org/pc/ind-estates/casestudies/Emscher.htm).

Psychology

When Torpedo stopped operation, it became a highly visible symbol of economic problems – lost jobs and the failure to make the transition to a market economy. One of the reasons that redevelopment of Torpedo was seen as high priority in the EDSP was the high cost of doing nothing. Having a large derelict property slowly decaying adjacent to the city center is simply depressing – to the economy and to the residents. It stands as constant reminder of failure and by its presence discourages entrepreneurs from the innovative, proactive activities that underlie economic growth. Conversely, redevelopment of such a high visibility property can be a spark for new optimism about the future of the community.

The restoration of the inner harbor in Baltimore Maryland (USA) (www.harborplace.com) has proven to be a catalyst for renovation of first the surrounding area and now the surrounding residential neighborhoods. The LGRP sponsored a study tour to Spain, where participants saw how the City of Barcelona together with the Port of Barcelona in last decade have developed modern port in combination with Mare Magnum. The ex-port area has become a tourist attraction and new center of the city. Most of the other examples provided in this paper have acted as a catalyst for economic improvement of surrounding areas. [Those who would like to investigate other examples will find the web site of the (US) National Brownfield Association (www.brownfieldassociation.org) to be a good starting place.

There is one other psychological issue. While celebrating history it is important to recognize that the future is not going to be a re-run of the past. People have to be convinced that change is going to occur. In Youngstown Ohio (USA), for example, the government had to tear down a huge – and obsolete - steel mill in order to convince the workers that those jobs were never going to come back. Only then were people ready to move forward rather than look backward. Workers from Torpedo waited years to receive the wages they were owed. Now that debt is being paid, Rijeka is free to move forward with innovative redevelopment that celebrates the past while shaping a new future.

REALIZING THE POTENTIAL

Examples are not all from other countries - redevelopment of old industrial properties also works in Croatia. For example, in Zagreb a partnership of the City of Zagreb and private investors has transformed an old shoe factory into the very popular Kaptol centre - one of the most attractive city shopping areas, with a public garage and all kinds of entertainment for all generations (cinema, club,
Here in Rijeka, the Port Authority and City of Rijeka are working on modernization of container and cargo terminal with a new multifunctional commercial center, a new marina plus a new passenger terminal and an attractive waterfront. Among the many and varied examples from many countries, there is a common thread. These projects include a combination of different business activities and are developed by several investors with strong support from local authorities.

A report from Project for Public Spaces, which was hired by the LGRP to provide technical assistance to the City of Rijeka, offers valuable guidance for those seeking to redevelop obsolete industrial properties in general and the Torpedo site in particular. The PPS experts noted that the challenges facing those who seek to redevelop Torpedo are typical for industrial redevelopment projects and explained why public sector subsidies are necessary to leverage the private sector investment.

These properties are difficult to redevelop for many reasons, even aside from the complexity they represent in terms of scale, cost, and environmental remediation. Because they are in formerly industrial areas, the buildings and complexes – while often centrally located or near a city center -- are not well connected to other public spaces or nearby commercial/or residential centers. These factories capture people’s imagination because they have flexible spaces that can potentially be used for many kinds of activities. However architecturally dramatic, the size and scale of these spaces makes it difficult to find new uses for them. As a result, private investment, especially in the economic context of communities which have lost the jobs that the industries once provided, are unlikely to take on the project by themselves.

MEMO: Approach to Torpedo Factory Revitalization in the City of Rijeka
Prepared by Steve Davies and Phil Myrick, Project for Public Spaces.
April 17, 2003

The Torpedo site is so large that no single investor could be found, and so its redevelopment is proceeding with multiple investors. Having multiple investors intensifies the need for a coordinating plan that defines the overall redevelopment concept. The job of creating that plan was assigned to a Task Force comprising representatives of the Mayor’s Office, Department of City Administration for Development, Urban Planning, Ecology and Land Management, Department of City Administration for Culture, Department of City Administration for Entrepreneurship, Department of City Administration for Health and Social Care, Croatian Chamber of Economy – County Chamber of Rijeka, Art-Conservation Department Rijeka, State Archive in Rijeka, Museum of the City of Rijeka and
external associates. During several workshops the task force came to consensus on a concept for redevelopment of Torpedo through new entrepreneurial and other initiatives with a special attention given to programs that create jobs.

The Task Force also focused on the need to preserve the historical heritage of the Torpedo site both to attract tourists and also to provide amenities for residents. For example, the launching ramp of Torpedo, a world-famous monument, could become a place that the people of Rijeka and their guests would want to visit and then have a coffee or a meal in near-by restaurants and bars. For this to happen, the public sector or a non-governmental organization must restore the launching pad to create the conditions that will encourage private entrepreneurs to open restaurants and bars. Developing an action plan for this restoration is a current priority for the Task Force.

Now the challenge is to remain true to the plan. The three largest buildings remain unsold. If these buildings are simply sold to the first investor who can come up with enough money, Rijeka will have lost an enormous economic opportunity. The three large production halls are a redevelopment challenge but they are also a huge opportunity. For their full economic potential to be realized, these buildings must be redeveloped in a strategic manner so that the redevelopment of one contributes value to the others and all contribute value to the Torpedo site. Remember, developing plans for their re-use and addressing the access and infrastructure problems – even if only by preparing plans for the needed improvements, increases the value of these properties for potential investors.

The citizens of Rijeka have an interest in the redevelopment projects occurring on their waterfront – both Torpedo and the renovation of the port. Opportunities for public participation will continue to be important to the development of plans that reflect what the citizens want. This also helps build public support and meet the requirements of international donors who are among the potential funders and investors in redevelopment of Torpedo. Keeping the public informed supports constructive public participation. This is being done through the city web site, and could be expanded through fairs and distribution of promotional materials.

IN CONCLUSION

The story of Torpedo’s redevelopment is just beginning, but there is already progress to report. There are also numerous remaining challenges and work to be done. Remaining vacant buildings are very large and have historic significance, which must be preserved. Finding an economic re-use is a challenge and the solution may require some form of public subsidy and/or the public sector organizing multiple uses within a single structure. The pricing of these properties for investors will have to reflect economic reality.

As this effort moves forward, a crucial and continuing challenge will be to resist financial pressures for quick sales and to accept only investments that are
consistent with the overall concept plan for redevelopment. Consensus has to be reached on a detailed zoning plan that will reinforce the concept plan and define long-term permitted uses - important information for potential investors.

The public-private partnership that produced the EDSP provides a foundation for economic progress, and for successful implementation of ambitious projects such as redevelopment of Torpedo. By recognizing that the significance of the Torpedo Factory exceeds the problems of its bankruptcy, Rijeka has become a pioneer for Croatia. Torpedo is one of many industrial properties that have become obsolete and are standing idle. Through its strategic redevelopment of Torpedo, Rijeka is showing how such a liability can be converted into assets that benefit the community in many ways. This conference is an important step in bringing together people with the creativity and commitment to make this very ambitious project a success.

Today people are looking at Torpedo with new eyes. They see that within the location there are buildings with elements of historical heritage and the especially interesting Torpedo launching ramp. The small port will once again be busy – this time with fishing vessels instead of ships used for assembling and experiments with torpedoes. All in all, the location represents a surprise and even delight to people – many of whom are seeing it for the very first time. For too long, residents of Rijeka had to leave town to visit the sea, but now there is an opportunity to make this old industrial site an economic and community asset that puts Rijeka’s citizens in touch with their history and with the sea.
Godine 2001., uz podršku Američke agencije za međunarodni razvoj – US AID i u okviru Projekta reforme lokalne uprave i samouprave koji je u Republici Hrvatskoj primijenjen preko Urban instituta, Grad Rijeka osnovao je radnu grupu sastavljenu od poslovnih ljudi te vodećih ljudi javnog i političkog života čiji je zadatak bio stvoriti strateški plan za gospodarski razvoj. Tako je stvoren strateški plan koji je odredio ponovni razvoj napuštene industrijske imovine kao jedan od prioriteta zadataka Rijeke i predložio da takve aktivnosti započnu s područjem Torpeda. Razlozi za takav izbor su sljedećih:

- Torpedo je na vidljivoj i potencijalno vrijednoj lokaciji uz more u blizini središta grada
- položaj Grada Rijeke kao važnog vjerovnika i članu Odbora vjerovnika daje mu mogućnost utjecaja na stečajni postupak Torpeda
- povijesna važnost zemljišta i povijesna vrijednost građevina
- veličina zemljišta, više od 70.000 m², čiji se ponovni razvoj ne može zamisliti bez utjecaja javnog sektora
- negativan utjecaj koji bi Rijeka osjetila kada bi tu imovinu prepustila propadanju.


Istraživanje cijene toj imovini prema investitorima mora reflektirati ekonomsku stvarnost. Samim time što je prepoznala značajnost tvornice Torpedo koje nadilazi probleme njegova stečaja, Rijeka se postala pionirom u Hrvatskoj. Torpedo je jedno od brojnih industrijskih zemljišta koje je napušteno i zjapi prazno. Kroz strateški ponovni razvoj Torpeda, Rijeka pokazuje kako pasivu može pretvoriti u aktivan potencijal koji donosi korist društvenoj zajednici na puno načina. Ova je konferencija važan korak u spajanju kreativnih ljudi koji su čvrsto odlučili da ovaj iznimno ambiciozan projekt učine uspješnim.
Abstract
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In 2001, with the assistance of US AID, and within the Local Government Reform Project which is in the Republic of Croatia implemented by the Urban Institute, the City of Rijeka established a task force of business, community and government leaders to create a strategic plan for economic development. The resulting strategic plan designated redevelopment of obsolete industrial properties as one of the highest priority goals for Rijeka and proposed that this activity begin with the Torpedo site. Reasons for choosing Torpedo included:

• Its highly visible and potentially valuable location on the sea near the city center
• The City of Rijeka’s position as a big creditor and member of the Committee of Creditors, which gave it influence in the bankruptcy proceedings of Torpedo
• The historic importance of the site and historic value of the buildings
• The large size of the site, more than 70,000 ml, which made redevelopment unlikely to occur without public sector intervention
• The negative impact upon Rijeka of allowing this property to decay

The City of Rijeka has taken the lead role in revitalizing Torpedo. Official documents adopted by the City Council emphasize its importance - Guidelines for the period from 2001-2005, Guidelines for 2001 and 2002, and the Draft Strategy of Economic Development of the City of Rijeka. With help from the LGRP, Rijeka has compiled information about other cities that had solved similar problems and gained insights from those experiences. A presentation by an urban redevelopment expert from Swansea Wales helped build support for the strategy to redevelop Torpedo by demonstrating what could be achieved - one step at a time.

The Torpedo site is so large that no single investor could be found; its redevelopment requires multiple investors. Representatives of numerous city departments - and other stakeholders - compiled information on the existing improvements and infrastructure, and then prepared a concept plan for redevelopment, linking it to surrounding land uses. The City is seeking partners and investors to implement the various parts of that concept plan. Partial sales began in 2002. The story of Torpedo’s redevelopment is just beginning, but there is already progress to report. Redevelopment is starting with the fisherman’s port, which is being undertaken by the City in partnership with the Port Authority. The concept plan calls for adjacent commercial development with a nautical theme that would attractive to both tourists and residents. All properties, more than 40,000m², have been sold. Only 3 biggest ex-production halls, area of 27,000 m², are still waiting for new owners.

There are also numerous remaining challenges and work to be done. A crucial and continuing challenge is to resist pressures from other creditors for quick sales and to accept only investments that are consistent with the overall plan for redevelopment. Consensus has to be reached on a detailed zoning plan that will reinforce the concept plan and define long-term permitted uses - important information for potential investors. Remaining vacant buildings are very large and have historic significance, which must be preserved. Finding an economic re-use is a challenge and the solution may require some form of public subsidy and/or the public sector organizing multiple uses within a single structure. The pricing of these properties for investors will have to reflect economic reality.

By recognizing that the significance of the Torpedo Factory exceeds the problems of its bankruptcy, Rijeka has become a pioneer for Croatia. Torpedo is one of many industrial properties that have become obsolete and are standing idle. Through its strategic redevelopment of Torpedo, Rijeka is showing how such a liability can be converted into assets that benefit the community in many ways. This conference is an important step in bringing together people with the creativity and commitment to make this very ambitious project a success.