MEMORANDUM

Date: May 17, 2012

Project: Parkview Gardens Neighborhood Sustainable Development Plan

Memo Purpose: Response to Public Hearing and Plan Commission Comments

Submitted By: H3 Studio

Submitted To: The City of University City
University City Plan Commission

SUMMARY: The purpose of this Memo is to provide formal response to the comments of the Plan Commission and public attendees offered during the Public Hearing of the Parkview Gardens Neighborhood Sustainable Development Plan ("A Vision for Parkview Gardens") on April 25, 2012. This Memo is hereby submitted to the City of University City for review, approval, and distribution to the University City Plan Commissioners as outlined and agreed to by the City of University City and H3 Studio on May 10, 2012.

BUDGET & FUNDING PLAN: In response to Ms. Greening regarding a Budget and Funding Plan. Mr. Hoal indicated that the Plan does not currently contain a budget or funding plan, acknowledged as a key component of the neighborhood sustainable development plan, the Parkview Gardens Neighborhood Sustainable Development Plan document shall be revised. Within Chapter 7 (pages 124 through 135), a new article will be added describing the Integrated Funding Plan. The Integrated Funding Plan consists of three primary components: 1) an Opinion of Probable Cost for anticipated capital project expenditures and subsidies necessary to implement the plan (exclusive of capital improvements including ongoing or deferred maintenance); an outline of sources of incremental revenues based on operational proceeds and increases in value; and 3) an outline of funding gaps between the Costs and Sources and recommendations for closing this gap. The contents of this new Article are described below. These contents are understood to be preliminary and are subject to further refinement and review by the project team and the City of University City.

INTRODUCTION

The Integrated Funding Plan identifies potential sources of funding that can be utilized to implement the Parkview Gardens Sustainability Plan set forth by H3 Studio. Because some funding sources are more restricted than others, this plan aligns many with specific uses, and identifies areas in which additional gap financing will be needed.

ECONOMIC DEVELOPMENT TOOLS: FINANCE

Realization of the Parkview Gardens plan and greater economic prosperity in University City will require a concerted public/private partnership—an alliance of the city on the public side, as well as the area's key private stakeholders and civic interests. In certain instances, future taxes generated by real estate investments might be used to finance current costs of facilitating those improvements. The following list is not intended to be exhaustive, but includes many economic development tools that could aid in catalyzing targeted new investment that will help realize the vision for an improved Parkview Gardens neighborhood.

Cities have available a variety of fiscal tools to induce private investment. These generally fall under the following five categories:

- Bond financing based on anticipated future revenue
- Tax reductions
- Supplemental taxes
- Grants
- Capital Improvements

1. **Anticipated Future Revenue**

   In certain instances, future taxes generated by real estate investments can be used to finance current costs of facilitating those improvements. This mechanism is referred to generically as tax increment financing (TIF). The capture of taxes resulting from increased assessed value (the increment) is used to pay debt service on bonds issued to fund selected costs of development.

   Tax increment financing is enabled in Missouri by Chapter 99 of the Revised Statutes. It requires the legislated finding of conditions as a blighted area, a conservation area (i.e., not yet blighted but headed that way without public intervention), or economic development area. The maximum allowable TIF period is 23 years, although shorter periods are often approved. The level of subsidy can equal 100 percent of all incremental new property taxes (payments in lieu of taxes, or PILOTS) and up to 50 percent of incremental new sales taxes (economic activity taxes or EATS).

A starting point in determining the efficacy of a TIF strategy is to determine what level of taxable investment is likely to be attracted to Parkview Gardens and what value, or increment, can be created for the larger TIF district.

2. **Tax Reductions**

Personal and real property tax reductions, or abatements, are common economic development incentives, particularly where significant new real estate investment occurs or new jobs are created. In most instances, the abatements act to reduce operating costs of investment in real estate (office, industrial, retail, or rental apartment buildings) for a designated period of time. In the instance of the Parkview Gardens plan, a strategy of leveraging public improvements to catalyze private investment is being utilized; therefore, tax increment financing is a more useful tool because it provides a revenue stream for financing public improvements.

3. **Supplemental Taxes**

This section focuses on improvement districts which are sometimes also referred to as special tax districts. In general, an improvement district generates a steady source of revenue to finance services and project costs that are considered “special” to landowners, residents, and businesses within a designated geographic area. Therefore, a separate tax is levied only on those properties, within defined boundaries, that will benefit from these expenditures. We discuss two common forms of improvement districts.

3.1. **Business Improvement District (BID)**

Commonly known as a Business Improvement District, BIDs in Missouri are often associated with its legal mechanism, Community Improvement District (or CID). A BID typically involves a special property tax that supports an array of needed supplemental programs and services. These often include marketing, maintenance, security, and limited capital improvements, including streetscape enhancements. It is important to note that the imposition of such supplemental taxes or fees does not have to be limited to businesses and commercial properties but can also come from residents and residential properties. Sometimes, tax-exempt properties volunteer to pay the same “taxes” because they, too, benefit from the services and improvements.

3.2. **Special Assessment District (SAD)**

This form of improvement district is typically used to defray the cost of public improvements among properties that receive a direct benefit. Common SADs involve the extension of infrastructure such as sanitary and storm sewers, and are typically levied on property owners over a fixed period such as 10 years. In Missouri, a Transportation Development District (TDD) can be established and allows for a one-percent sales tax dedicated to approved transportation development costs. (Technically, a TDD can assess property taxes as well, though it is rarely used in this way.) Enacting a TDD requires approval by voters.

4. **Grants**

   While far less available than in the past, there remain opportunities to obtain grants and soft loans from a wide variety of both public and private sources. Private corporate and charitable foundations, as well as institutions do target their support to different aspects of urban investment and revitalization such as economic development, environment enhancement, historic preservation, and open space and parks. Most government grants are ones resulting from legislators' capacity to target appropriations to special community needs and high profile projects of wide public benefit. Federal TIGER grants, for example, could be explored for Parkview Gardens, but there could be many others.

5. **Capital Improvements**

   Cities often create a capital improvements plan (CIP), which is usually short-term in nature, that allocates money from sources including general funds, street and road funds, and parks and recreation funds. As University City prepares its next CIP, it will likely allocate funds to Parkview Gardens for park and road improvements. These funds can be augmented with the other sources of potential revenue noted above to make public improvements.

SOURCES OF FUNDING

A number of funding sources could be utilized for the proposed improvements to Parkview Gardens. Some are more restricted in their uses than others, which helps set priorities for how they are applied.

Potential sources of funding for public improvements in Parkview Gardens are varied, but those evaluated for this study generally can be classified under a handful of categories:

- Payments in Lieu of Taxes (PILOTS)
- Special Assessments
- Economic Activity Taxes (EATS)

These sources of funding may not provide all the needed revenue to finance the public improvements identified, but could be supplemented by several additional sources, including:

- Monthly Parking Fees: revenue from parking can reduce the amount of direct public spending needed to build parking garages.
- Capital Improvements: University City has put together a preliminary Capital Improvements Plan (CIP), which allocates some amount of money to public improvements in Parkview Gardens.
- Grants: University City recently submitted an application for TIGER IV funding and could apply for other federal and state grants in the future.

In addition, there is a Transportation Development District (TDD)—a type of special assessment—already in place along Delmar that imposes an added retail sales tax. While revenues from this assessment cannot be applied to many projects in Parkview Gardens, they could be applied to some projects (like say, a parking garage) if it is just outside the district, but nevertheless *serves* the district.

GEOGRAPHY

Because some funding sources will relate more to the commercial district along Delmar (using sales tax revenue, for example), it is also important to identify where revenues are generated, because some sources can be applied to Parkview Gardens, some cannot, and some can under certain circumstances. For the purpose of allocating funding, the Parkview Gardens Neighborhood is divided into the following geographical areas.

A. **Parkview Gardens**
B. **Loop Condo/Parking**
C. **Skinker Corridor**

Area Identification

CAPITAL PROJECT COSTS: WHAT'S INCLUDED

Capital project costs were calculated in two phases; phase one is considered the "Base Level" and includes all the capital projects key to fulfilling the goals of the Plan, including: Road Extensions;

Metcalfe Park (Phase 1); Ackert Park; and Enright Bike Path. "Base Level" capital improvements are included in the analysis of Alternative One, as described in detail below.

Phase two capital projects are considered the "Full Vision" and include all capital projects included in the Plan, including: Road Enhancements; Road Extensions; Metcalfe Park (Full Build-out); Ackert Park and Walkway; the Enright Bike Path; Eastgate South Park; and Eastgate North Park. It does not include ongoing or deferred maintenance. "Full Vision" capital improvements are included in the analysis of Alternative Two, as described in detail below.

METHODOLOGY AND EVALUATION OF ALTERNATIVES

The various economic development programs identified on previous pages were modeled, using discounted cash flow analysis, to determine the present value of cash proceeds that could be used finance public improvements. Two alternatives were considered, each with its own phasing projections. The first alternative includes development that was supported as part of Development Strategies' residential market study for the Parkview Gardens Sustainability Plan. The second alternative includes assumptions regarding development of an office district along the Skinker corridor, as we as more aggressive assumptions for residential development in some areas. Following is a partial list of assumptions made as part of this study:

- A baseline assessed value was determined from St. Louis City and St. Louis County records for Parkview. This baseline excludes tax-exempt properties, such as those owned by Washington University. Potential increases in the assessed value are targets for TIF.
- For tax increment financing, most property taxes—city, county, school, etc.—were assumed to be captured.
- St. Louis County and St. Louis City taxes were considered separately, then combined as part of an overall revenue pool.
- All development is phased and discounted to arrive at present values.
- For mixed-use projects, each component was evaluated separately. Baseline assessed values were assigned relative to the proportion of total building square footage that each component contributes to the project.
- This study assumes that a large proportion of existing properties in the heart of Parkview Gardens will be rehabilitated/renovated, leading to higher rents, sale prices, and assessed values. Washington University properties are not included in this analysis, though the return of some properties to the tax rolls would contribute further to the TIF pool.
- A Transportation Development District and Community Improvement District sales tax were evaluated as part of this study, but only for a few selected properties that extend into Parkview

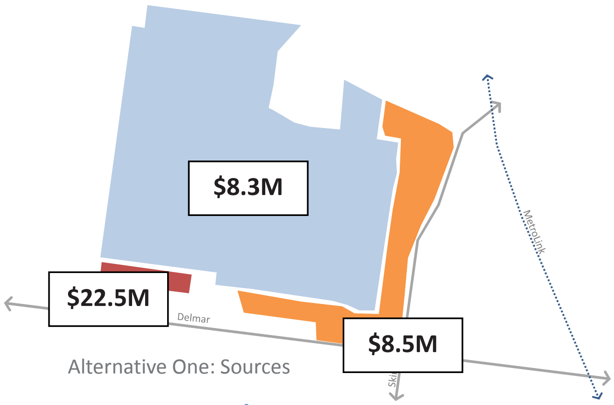
Gardens from the Loop. Evaluating all potential revenue sources for the Delmar Loop is beyond the scope of this study.

- Office development along the Skinker Corridor was not evaluated as part of Development Strategies' market study, so assumptions have been made. It is assumed that half of the office development will be institutional (and thus tax exempt, with the exception of earnings taxes), and half will not be tax-exempt.
- Property taxes were not assumed to be captureable as part of a CID district (it would require a 50 percent majority of residents to vote for a self-imposed tax), retail sales taxes and earnings taxes (in the case of properties within the City of St. Louis) are included.
- It is assumed that parking garages needed to facilitate institutional office will be self-funded, whereas parking garages needed to serve market-rate office development will need public support.
- Office development along the Skinker Corridor is assumed to need three parking spaces per 1,000 square feet of gross leasable area (GLA)—one less than the conventional norm—due to the nearby Delmar MetroLink station.
- Monthly parking revenues are assumed to be $50 per space. No study has been conducted to determine the reasonableness of this as a parking rate, or the depth of demand, particularly for a public parking garage.
- For University City's Capital Improvement Plan (CIP), an annual contribution of $340,000 for Parkview Gardens was assumed over 23 years.
- Capital improvements (such as road replacements, resurfacing, etc.), as well as funds from the capital improvements plan, have been removed from this analysis. This analysis focuses only on the sources and uses of funds for parks, road enhancements and extensions deemed critical by the Parkview Gardens Plan, and parking garages.
- A roughly 900 to 1,000 space parking garage is assumed for Delmar Skinker in alternative one; an 1,800 to 2,000 space garage continues to be assumed for alternative two.

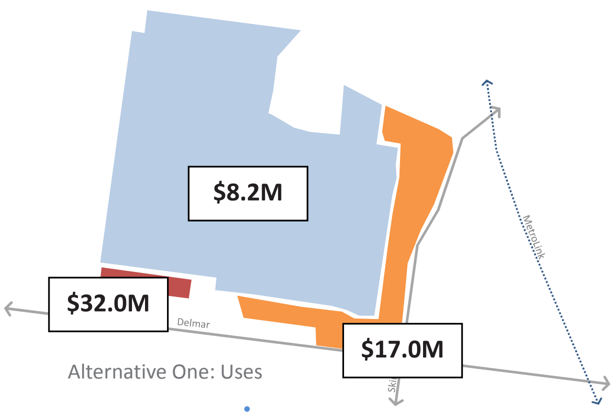
Sources include money from payments in lieu of taxes (PILOTS), special assessments, and economic activity taxes (EATS), as well as parking garage revenue. Totals under sources represent cash proceeds from the sale of government bonds to finance improvements, and assume a debt coverage ratio of 1.30.

In both alternatives one and two, all sources generated in Area A stay (or are "used") in Area A, all sources in Area B stay in Area B, and so on. In each case, the sources are insufficient to fund all necessary improvements, so alternative funding sources are needed. These sources could include federal grants, money from fundraising, and money from public/private/institutional partnerships.

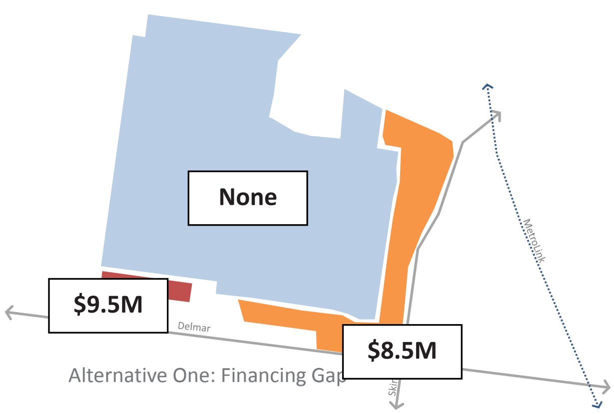
A summary of Sources of funding, Uses of funding (capital costs), and Financing Gap for each Alternatives One and Two are provided on the following pages.



Alternative One: Sources



Alternative One: Uses



Alternative One: Financing Gap

As indicated in the diagrams to the left, Alternative One results in the following, categorized by area:

A. Parkview Gardens

Sources (Funding):	**$8.3M**
Uses (Capital Costs):	**$8.2M**
Financing Gap:	**None**

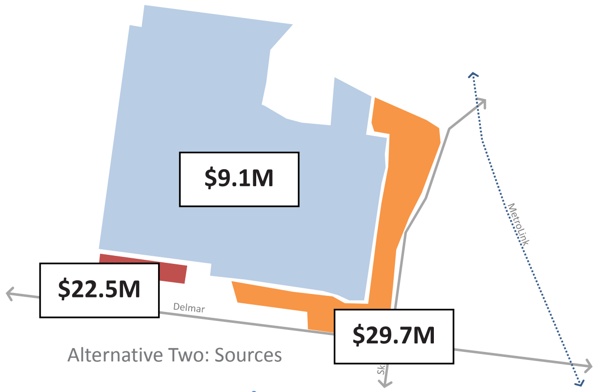
B. Loop Condo/Parking

Sources (Funding):	**$22.5M**
Uses (Capital Costs):	**$32M**
Financing Gap:	**$9.5M**

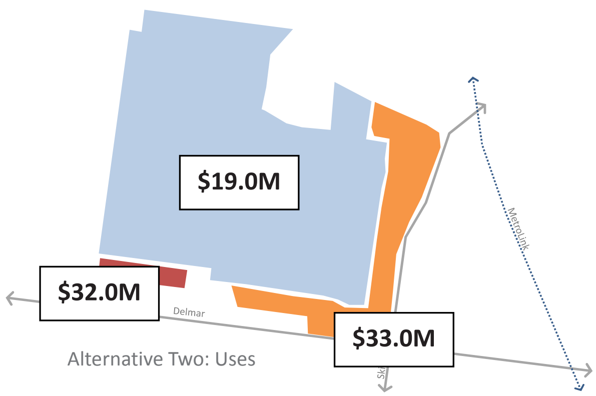
C. Skinker Corridor

Sources (Funding):	**$8.5M**
Uses (Capital Costs):	**$17M**
Financing Gap:	**$8.5M**

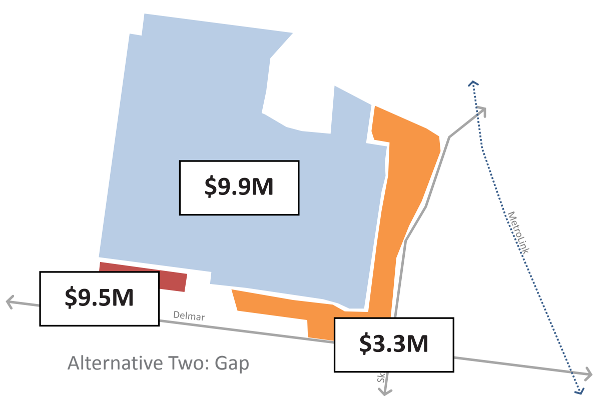
In Alternative One, all "Base Level" capital improvement projects located in Area A (the neighborhood) can be fully-funded with identified revenue sources. Parking garages in Area B and Area C show a Financing Gap of $9.5M and $8.5 Million, respectively.



Alternative Two: Sources



Alternative Two: Uses



Alternative Two: Gap

As indicated in the diagrams to the left, Alternative Two results in the following, categorized by area:

A. Parkview Gardens

Sources (Funding): **$9.1M**

Uses (Capital Costs): **$17.3M**

Financing Gap: **$8.2M**

B. Loop Condo/Parking

Sources (Funding): **$22.5M**

Uses (Capital Costs): **$32M**

Financing Gap: **$9.5M**

C. Skinker Corridor

Sources (Funding): **$29.7M**

Uses (Capital Costs): **$33M**

Financing Gap: **$3.3M**

In Alternative Two, financing gaps are present. The Plan recommends that these financing gaps be closed through pursuit of various funding sources, including:

- **Increased Capital Improvement Plan (CIP) budgeting**
- **Federal, State, and local grants**
- **Public/private partnerships**
- **Implementation partnerships**
- **Operations & maintenance agreements and partnerships**
- **Fund raising**

AFFORDABLE HOUSING POLICY: In response to a comment raised by Commissioner Senturia regarding specific approaches/actions recommended in the plan to sustain/achieve affordable housing, acknowledged as one of the critical objectives of this neighborhood sustainable development plan, the Parkview Gardens Neighborhood Sustainable Development Plan document shall be revised as follows. (Revised text is indicated <u>by underline</u>.)

CHAPTER 8, ARTICLE 1 (PG. 141)

Section 1.3 Affordable Housing

Subsection 1.3.1 <u>Provision &</u> Distribution

Recommendation: <u>Legislate the mandatory inclusion of affordable housing units (as established by HUD Office of Affordable Housing Preservation)</u> in newly developed property in the neighborhood and create a plan to redevelop the concentrated area of affordable housing on Olive <u>Boulevard</u>.

- <u>Establish a target percentage goal of affordable housing units to market rate housing units in the neighborhood as a whole; establish target percentage goals of affordable housing units in new residential developments necessary to achieve the overall neighborhood goal; and establish minimum and maximum development sizes to which these goals would apply.</u>
- <u>Enact a policy or incentive program to achieve the target percentage goals.</u>
- Leverage public and private funds to finance mixed-income housing <u>to make</u> the best use of limited resources (Examples: State or local zoning or density bonuses, Low Income Housing Tax Credits (LIHTC), HOME: the largest Federal block grant to State and local government designed exclusively to create affordable housing for low-income households, etc.)

Timeline: Mid-Term

Lead Partner: University City / Developers
Funding: Capital
Indicator: Percentage ratio of affordable housing to market-rate housing; distribution of affordable housing units
Benchmark: To Be Measured
Target: TBD

ENCOURAGING FOR-SALE HOUSING: In response to a comment regarding policies or actions taken to encourage and increase home ownership in the neighborhood, acknowledged as an important component of enhancing neighborhood stability, the Parkview Gardens Neighborhood Sustainable Development Plan document shall be revised as follows. (Revised text is indicated by underline.)

CHAPTER 8, ARTICLE 1 (PG. 141)

Section 1.2 Housing Diversity

Subsection 1.2.1 Diverse Housing Types

Recommendation: Increase the diversity of housing types according to the development plan to reach the broadest market possible, including both rental and for-sale markets.

- Adopt a regulatory plan that will achieve the goals of housing type diversity
- Support/require the following variety of housing types according to the regulatory plan and Market Study: apartments, affordable apartments, high-density/T.O.D. apartments, high-density condominiums, 3 flat/4 flat/6 flat infill and conversions, attached townhomes, and small-lot single family.
- Require medium density housing with minimum height requirements to support transit and fit within the context of the historic neighborhood
- Support mixed-use development with retail/office/commercial space on the ground floor and housing above.

Strategy: Legislation / Policy
Timeline: Mid-Term
Lead Partner: University City / City of St. Louis / Developers
Funding: Capital
Indicator: Percentage of units per housing type
Benchmark: TBD
Target: (ratio appropriate mix)

Subsection 1.2.2 Housing Ownership

Recommendation: Increase the diversity of housing ownership by supporting an increase of for-sale housing and owner occupancy in the neighborhood.

- Establish target percentage goals for the ratio of rental housing to owner-occupied housing
- Provide incentive programs to increase the development and sale of owner-occupied housing (Examples: tax abatements, tax credits, finance programs, streamlined permitting, etc.)
- Implement programming to actively market the neighborhood to potential homebuyers throughout the region and nationwide.

Strategy: Legislation / Policy
Timeline: Mid-Term
Lead Partner: University City / City of St. Louis / Developers
Funding: Capital
Indicator: Percentage of units per owner/occupancy type
Benchmark: TBD
Target: (ratio appropriate mix)