CITY OF CREVE COEUR

MEETING NOTICE

AGENDA

Creve Coeur Economic Development Commission
Thursday, April 19, 2007
8:00 - 9:00 a.m.

Mayor's Conference Room
Creve Coeur Government Center

1) Approval of 2/15/07 Meeting Summary

2) Approval of 3/15/07 Meeting Summary

3) Downtown Plan Implementation
   - ED Sales Tax

4) Joint meeting EDC/Chamber Board scheduling

5) EDC Business Leader's Reception

6) Meeting Schedule:
   Next EDC Meeting – May 17, 2007

cc: Mayor Harold Dielmann
Theresa Lynch, City Council Liaison
Mark Perkins, City Administrator
Dan Smith, Director of Finance
Michael Hurlbert, AICP, City Planner & Economic Development Administrator

Public Notice in Accordance with 610 RSMo As Amended.
By: M Hurlbert
Date: 4-17-07
Time: 4:30 PM.

Economic Development Commission

Meeting Summary

Meeting Date:	Thursday, April 19, 2007
Time:	8:00 a.m.
Location:	Creve Coeur Government Center
Date Prepared:	April 25, 2007
Prepared By:	Michael E. Hurlbert, AICP City Planner & Economic Development Administrator

In attendance: Paul Zemitzsch, Joe Ambrose, Dave Griege, Susan Murphy, Theresa Lynch, Diane Davis, Harold Dielmann, Mayor, Ex Officio. Staff members: Mark Perkins, City Administrator; and Michael Hurlbert, City Planner & Economic Development Administrator.

Absent: Don Kalicak and Jim Guard

Action Items

Who	What	By When
Mike/Mark	**Schedule second meeting date with the Chamber Board**	**May 3**
Mike/Mark	**Schedule Business Leaders Reception for May (Pulaski Bank)**	**May 22**

Key Decisions:

- Susan Murphy made a motion to approve the Meeting Summary for February 15, 2007 as presented. Seconded by David Griege. Motion carried.
- Theresa Lynch made a motion to approve the Meeting Summary for March 15, 2007 as presented. Seconded by Susan Murphy. Motion carried.

Handouts

- A copy of the DSI Implementation Study key recommendations

Key Observations

Joint Meeting EDC/Chamber Board scheduling

The members decided that the May 3rd Chamber Board meeting would be the next best opportunity to meet and that a prepared agenda should be provided. Discussion centered on the Chamber Board's previous questions, especially determining a breakdown of whom (resident versus non-resident) pays for sales tax and whether providing such information would help to sell the tax increase. Mark stated that he had contacted Mike Schoedel with the City of Clayton and that they had not conducted a study like that. The Commission decided that the presentation should focus on the ED Sales Tax proposal.

Downtown Plan Implementation – ED Sales Tax

Mark gave a brief summary of a potential ED sales tax. He stated that without capital or land within the Downtown it would be difficult for the city to help implement components of the Downtown Plan. When asked about upcoming election dates, he stated that the next available election dates are August and November, 2007.

Discussion followed, including the timing of asking the public to approve a sales tax increase, the requirements to implement the tax, and the potential for this topic to be discussed at a Joint Meeting of Council, P&Z, EDC and Finance Board. Staff will check with University City which recently implemented an ED Sales Tax about the requirements.

EDC Business Leader's Reception

The Commission discussed the possible schedule for a Business Leader's Reception this spring. The members decided to shoot for Tuesday, May 22. A member suggested Pulaski Bank as a possible location. Mike will attempt to schedule the event.

- Next meeting:
    - June 21

At approximately 8:35 a.m., the meeting adjourned.

DRAFT

POTENTIAL REVENUE SOURCES TO FUND PUBLIC IMPROVEMENTS

There are three potential types of revenue sources that could help fund the public improvements that have been outlined for the CBD and Downtown Area. They are:

1. **Existing or new taxes collected by the City of Creve Coeur** that are used to pay for improvements in the CBD and Downtown Area. The primary example would be the "Local Option Economic Development Sales Tax Trust Fund". General Obligation bonds, a new "parks and stormwater " tax, or the "local option" tax are other potential sources of revenue.

2. **Self funding districts** where self-imposed taxes are used to fund public improvements with the prime examples being Transportation Development Districts (TDDs) and Community Improvement Districts (CIDs).

3. **Redirection of new taxes within a district** with the primary examples being Tax Increment Financing (TIF), a local sales tax rebate agreement, or real property tax abatement under a Chapter 353 Redevelopment Plan.

The implications of utilizing these potential revenue sources to help fund public improvements to CBD and Downtown Area of Creve Coeur are discussed below.

City-Wide Sales Tax Options

1. **Local Option Economic Development Sales Tax Trust Fund --** Several years ago the Missouri legislature enacted Section 67.1305 RSMo, which permits cities like Creve Coeur to enact, with majority voter approval, a new sales tax of up to 1/2% for the purpose of carrying out economic development plans and projects in designated areas of a city. The taxes that are collected can be used for a variety of purposes including retail development in a downtown area, administrative expenses (up to 25% of revenue generated), marketing, professional expenses, and job training. In addition, at least 20% of the revenues generated must be used for projects directly related to long-term economic development, including land acquisition, infrastructure for business and industrial parks, street extension, public facilities directly related to economic development and job creation, and providing matching dollars for state or federal grants relating to such long-term projects.

   An economic development tax board is responsible for overseeing and approving any economic development plans and projects. The board is to be composed of one school district representative, three city representatives and one county representative. Their recommendations are forwarded to the governing body (City Council) which makes the final decision to approve or disapprove a plan or project.

   The staff of the City of Creve Coeur indicates that a ½% sales tax would currently generate approximately $2 million a year. These funds could be used to help fund projects in the CBD and Downtown Area on a pay-as-you-go basis or would represent approximately $18.8 to 20.4 million dollars in new bonding capacity, assuming a 20-year life and a 1.25 debt coverage ratio.

Since this legislation is relatively new there are only four municipalities in St. Louis County that have approved a Local Option Economic Development Sales Tax. They are Edmundson, St. Ann, Woodson Terrace, and University City, which just passed a ¼ cent sales tax in August.

2. **Other City-Wide Sales Taxes** – It is possible that Creve Coeur could approve a ½ cent "parks and stormwater" tax. Forty-eight municipalities in St. Louis County have passed a parks and stormwater tax. This tax could help pay for the central public open space in the Downtown Area. It could generate the same level of revenues as the economic development tax discussed above. However, given the use restrictions on this tax, it is questionable if it should be adopted to assist development only in the CBD. It would be more logical to development the central public open space as part of a larger proposal to fund an array of parks and stormwater improvements within the City of Creve Coeur, if such a program is needed and desirable.

   The City of Creve Coeur currently has not approved a ¼ cent local option sales tax (33 municipalities in St. Louis County have passed a ¼ cent local option sales tax). The revenues from this tax could be used as an additional source of funding for public improvements. However, 12.5% of the revenues collected must go into the county-wide revenue pool and this tax would clearly not generate as much funds as the local option economic development sales tax approach.

Self Funded Districts

1. **Transportation Development District (TDD)** -- Pursuant to Sections 238.200 to 238.275 of the RSMo, as amended, a transportation development district may be created to "fund, promote, plan, design, construct, improve, maintain and operate" one or more transportation projects. As it relates to the Creve Coeur CBD, these projects can include any street, road, highway, access road, intersection, signing, signalization, parking lot, garage, shelter, rest area, and any similar or related improvement or infrastructure.

   When created, a TDD becomes a separate political subdivision of the State with its own board of directors that is not directly controlled by the City. A district is established by filing a petition in the circuit court of St. Louis County. The petition can be brought to the court in three ways: (1) by not less than 50 registered voters residing within the proposed district, (2) by the owners of record of all real property located within the proposed district, provided that here are no persons eligible to be registered voters residing in the proposed district, or (3) by approval of a local governing body or transportation authority.

   The power of condemnation may be exercised by the District to implement transportation improvements.

   Typically a sales tax of up to 1% is imposed on all retail sales made within the district. However, with the approval of qualified voters in the district, special assessments may be imposed or a property tax, not to exceed $.10 per $100 assessed valuation may be imposed.

The district may issue financial obligations for a maximum of 40 years. However, 25 to 30 years is a more typical range for the bonds.

In 2004 the Olive Boulevard Transportation Development District was established for significant portions of the Creve Coeur CBD to the north and south of Olive Blvd. (see Olive Boulevard Transportation Development District map). The 25-year TDD is projected to support approximately $5 million of improvements focused largely on enhancements to Olive Blvd. between Craig Road and Fountain Park. The TDD utilizes a ½% sales tax.

The existing TDD encompasses the significant majority of sales tax generating businesses in the CBD. Although a new TDD could be created that would overlay the existing district or creates an adjoining district, it would seem more appropriate to utilize provisions for the more flexible Community Improvement District discussed below.

In addition to Creve Coeur, TDDs have been used in a number of communities, often in association with TIF projects. The City of Brentwood has used a TDD to construct a Metrolink overpass and to make improvements to both Eager Rd. on the south frontage of I-64 and Strassner Road between Hanley Road and Brentwood Blvd. The City of Richmond Heights utilized a TDD to support the ongoing development of The Boulevard across for The Galleria.

2. **Community Improvement District (CID) --** The authority to create a Community Improvement District (CID) is provided in Sections 67.1401 to 67.1571 RSMo. In many respects a CID is like a TDD. It is a separate legal entity that is created by a city following the submission of a petition by the property owners in the proposed district. The petition must be signed by property owners who collectively own at least 50% of the assessed value of the real property within the proposed district, and include more than 50% of the individual owners of real property within the proposed district.

   A CID can fund a much wider array of public improvements than a TDD and can also support various public services. Like a TDD a CID can pay for sidewalks, streets, alleys, traffic signs and signals, parking lots, garages or other facilities. A CID can also pay for utilities and other site improvements, parks, lawns, trees and any other landscape, pedestrian or shopping malls and plazas, and any other useful, necessary or desired improvement.

   In addition, if an area has been declared "blighted", the costs of acquiring, demolishing, renovating and rehabilitating structures on the site can be included.

   The types of public services a CID can support include providing or contracting for cleaning, maintenance and other services to public and private property; providing or contracting for security personnel, equipment or facilities for the protection of property and persons; providing refuse collection and disposal services; promoting tourism, recreational or cultural activities or special events; promoting business activity, development and retention, and contracting for or conducting economic, planning, marketing or other studies.

Typically a sales tax of up to 1% is imposed to fund the CID improvements and/or services. In addition special assessments can be imposed and an added real property tax can be imposed. Unlike a TDD, there is no limit on the amount of additional real property taxes that may be imposed.

A CID district may issue financial obligations for a period not to exceed 20 years. It is estimated that a CID imposing a 1% sales tax would generate a current bonding capacity of roughly $12.5 to $13.5 million. If an assessment of $1.00 per $100 assessed value were imposed, rather than a sales tax, it is estimated that a bonding capacity of between $12.5 to $13.7 million could be achieved. See Appendix C for additional detail.

CIDs have been used in a number of communities for a variety of projects. They have been used for a range of improvements, as well as marketing and security purposes in Downtown St. Louis and Springfield, Missouri, in the South Grand commercial district, for a number of projects in Crestwood, and the Plaza on the Boulevard in Jennings.

Redirection of New Incremental District Taxes

1. **Tax Increment Financing –** The authority to create a Tax Increment Financing (TIF) District is provided in Sections 99.800 to 99.865 RSMo cited as the "Real Property Tax Increment Allocation Redevelopment Act" (the TIF Act). As implied by the name, the TIF Act provides a mechanism for capturing any new increment of real estate taxes (up to 100%) and any new sales or utility taxes (up to 50%) and then redirecting those revenues toward the costs of a project, or projects, within a designated TIF district. However, before a municipality may utilize tax increment financing, it must go through a process of establishing a TIF commission, which must hold a public hearing, and adopting an ordinance approving a redevelopment plan, a redevelopment project and a redevelopment area.

   It is important to note that before TIF can be utilized the "redevelopment area" must be found to be a "blighted area", a "conservation area", or an "economic development area". The TIF Act defines each of these areas as follows:

   - "*Blighted area*", an area which, by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use.

   - "*Conservation area*", any improved area within the boundaries of a redevelopment area located within the territorial limits of a municipality in which fifty percent or more of the structures in the area have an age of thirty-five years or more. Such an area is not yet a blighted area but is detrimental to the public health, safety, morals, or welfare and may become

a blighted area because of any one or more of the following factors: dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; and lack of community planning. A conservation area shall meet at least three of the factors provided in this subdivision for projects approved on or after December 23, 1997.

- "*Economic development area*", any area or portion of an area located within the territorial limits of a municipality, which does not meet the requirements of (a blighted area or a conservation area), and in which the governing body of the municipality finds that redevelopment will not be solely used for development of commercial businesses which unfairly compete in the local economy and is in the public interest because it will: (a) discourage commerce, industry or manufacturing from moving their operations to another state; or (b) result in increased employment in the municipality; or (c) result in preservation or enhancement of the tax base of the municipality.

It is also important to note that the state constitutionality of TIF financing for an "economic development area" remains uncertain at this time, making its use questionable without the full financial backing of the municipality.

Another issue that must be addressed is that a redevelopment area must include only "those parcels of real property and improvements thereon directly and substantially benefited by the proposed redevelopment project improvements." Given this criterion and the above stated definitions, it is questionable if portions of the entire Creve Coeur CBD would qualify for the use of TIF. Rather, TIF might be used for selected projects as it was for City Place, or as an umbrella TIF for specific sub areas.

TIF has been used for many projects throughout the St. Louis region, such as The Boulevard in Richmond Heights and a number of projects in Downtown St. Louis. Use of TIF districts has been more limited. The Grand Center TIF District in Midtown St. Louis anticipates making approximately $100 million of TIF related improvements. The Delmar East TIF District, which runs for several blocks between Skinker Blvd. and the former Wabash Station, is another example of a TIF umbrella district.

2. **Sales Tax Rebate Agreement** – Section 70.220 RSMo authorizes any municipality or political subdivision to contract with another political subdivision, private person or firm for the "planning, development, construction, acquisition or operation of any public improvement or facility". Under this approach a municipality typically agrees to reimburse a developer or owner for the cost of public improvements from the incremental sales taxes generated from a retail project. Generally the sales taxes involved are only those of the municipality, unless other taxing jurisdictions agree to participate, and there is an agreed-upon interest rate to be paid to the developer, as well as the developer agreeing to rely

on the incremental taxes for repayment. Also, under this approach, a municipality's obligation can only be from year-to-year and must therefore be subject to annual appropriation by the municipality.

While this approach is relatively easy to implement, simply requiring a vote of the governing body of a municipality, its revenue generation is obviously more limited due to the requirement of annual reapproval by the local governing body and may require payment of prevailing wages, payment and performance bonds, and indemnification of the governing body by the developer.

If a sales tax rebate were to be employed it would logically be undertaken on a specific project basis rather than as a district.

3. **Chapter 353 Tax Abatement --** Under Chapter 353 RSMo, real property tax abatement is available to an Urban Redevelopment Corporation, for up to 25 years provided the area is found to be a "blighted area". Typically, up to 100% of the incremental increase in property taxes is abated for the first 10 years and up to 50% of the increase in real property taxes are abated for the next 15 years.

   In the case of Creve Coeur, the use of 353 tax abatement is generally less attractive for several reasons. First, in order to become a 353 redevelopment area, the property in question must be declared to be "blighted". The definition of blight under Chapter 353 is essentially the same as the definition of a blighted area for TIF. Given the existing development in the CBD and Downtown Area, obtaining this designation is clearly more difficult than obtaining a "conservation area" designation under TIF legislation.

   Second, tax abatement is limited to real property and only a maximum of 50% beyond 10 years, while under TIF legislation real property taxes can be abated at 100% for up to 23 years and in addition up to 50% of the sales and utility taxes can be abated for the same period. Thus, more revenue for improvements can be generated from a TIF.

IMPLEMENTATION STRATEGY

A two-pronged approach to the future development of the Creve Coeur Downtown Area and CBD appears most promising, given the range of proposed public improvements sought (with their associated costs) and the potential revenue sources available to help pay for at least a portion of these costs.

Local Economic Development Sales Tax -- The first step would be to seek the voters' approval to impose a ½ cent city-wide economic development sales tax. Such a tax would generate in excess of $2 million per year which could be used for incremental improvements on a pay-as-you-go basis or as a revenue stream to retire a bond issue to pay for proposed public infrastructure improvements. It is estimated that a 20-year revenue stream from such a tax would be sufficient to support $20 million in bond proceeds. (It should be noted that, although an estimate was made for a 20-year revenue stream, an economic development sales tax does not have a cap on the number of years that it can be used like a TDD or CID does.)

An economic development tax has the added advantage that it can be employed to fund "soft costs", such as marketing and management, as well as capital improvements anywhere within the CBD.

Finally, an economic development tax can be a source of revenue for Creve Coeur that is not dependant on the revenues from the construction of specific development project or a specific district. As a result, these revenues can be used as a catalyst or "pump-primer" to create an environment that will foster and encourage new development.

Focus on Downtown Area -- The second step would be to focus the initial public improvements and redevelopment efforts on the Downtown Area of the Creve Coeur CBD. This is an area generally bounded by Olive Boulevard on the north, Old Ballas Road on the east and south, and New Ballas Road and Decker Lane to the west. Redevelopment areas adjacent to this core could be incorporated into the strategic planning and revenue support for this area.

Although it will be necessary to remain flexible to respond to market demand and developer interest, the greatest redevelopment potential resides in an area bounded by Olive Blvd. on the north, Old Ballas Road to the east, Studt Road to the south and New Ballas Road to the west. The public improvements that have been identified for this area are estimated to cost between $7.3 and $9.3 million, itemized as follows:

• Hamm Avenue between Studt and Olive	$ 1,500,000
• Will Avenue between Studt and Olive	$ 700,000
• Studt Road between Old Ballas and New Ballas	$ 2,900,000
• Major public open space	$ 2,200,000
Subtotal	$ 7,300,000
• Old Ballas and New Ballas perimeter enhancements	$ 2,000,000
Total	$ 9,300,000

Constructing the streetscape improvements and burying power lines for the portions of Old Ballas Road and New Ballas Road that would form the edges of this Phase 1 area could add approximately $2,000,000 to the cost.

The CBD Plan also discussed the importance of providing centralized parking for the Downtown Area. If a garage is constructed as part of the development of this area it could cost approximately $10,000,000 to construct, plus site acquisition costs. However, it is reasonable to assume that a significant portion of the cost of construction, as well as acquisition, can be covered by parking fees.

These improvements could be funded from the economic development tax discussed above. Depending on the timing, type, and density of development, it could be anticipated that developers could pay some portion of these costs. The level of potential financial participation will depend on the specifics of the project.

It is also possible to consider a CID or a TDD for this area. A CID would provide more flexibility in the type of improvements and uses it could fund. Assuming a ½% CID sales tax for 100,000 square feet of retail space with an average sales of $200 per square foot, it is estimated that a bond of approximately $670,000 could be supported.

Increasing the tax to 1% would double the amount to approximately $1,350,000. As an alternative, an increase in the property tax of $1.00 per $100 assessed value could be imposed. It is estimated that this approach would produce a bonding capacity of roughly $1.6 million. Thus, while a CID could be useful in providing an additional source of revenue to fund public improvements, it would clearly be insufficient to fund the scope and quality of public improvements envisioned by the CBD Plan. In addition, approval by existing property owners would be required to establish the district. Further complicating the situation is the fact that more than half of the potential Phase 1 area is already included in the Olive Boulevard TDD district.

Another approach would be to consider a TIF district for the Phase 1 area. However, in order to establish a TIF district the area must be first classified as a "blighted area", a "conservation" area, or an "economic development" area. This option would need careful analysis, which is beyond the scope of this study. Assuming the area would not be found to be "blighted" and given there is a constitutional question regarding the use of the "economic development" designation, this leaves designation as a "conservation area" as the only possible option. If a TIF district could be established for the Phase 1 area, it is estimated that it could generate roughly $ 12.4 million in bonding capacity. The amount of bonding capacity is significantly higher under this approach since all of the 100% of the incremental real property taxes can be captured along with 50% of most of the sales taxes. This approach has another advantage in that it can be adopted by a vote of the governing body. Funds can also be collected on a district-wide basis (an umbrella TIF) and then allocated to specific identified projects as needed. Thus, this approach could cover the anticipated public improvement costs associated with the Phase 1 area. However, this approach assumes that significant new development will occur throughout the Phase 1 area in the relatively near future, which may not occur without the "priming of the pump" for development which the local economic development tax provides. It is also important to remember that the ability to create a TIF district at this location is dependant on the ability to classify the area as a "conservation area", which has yet to be verified.