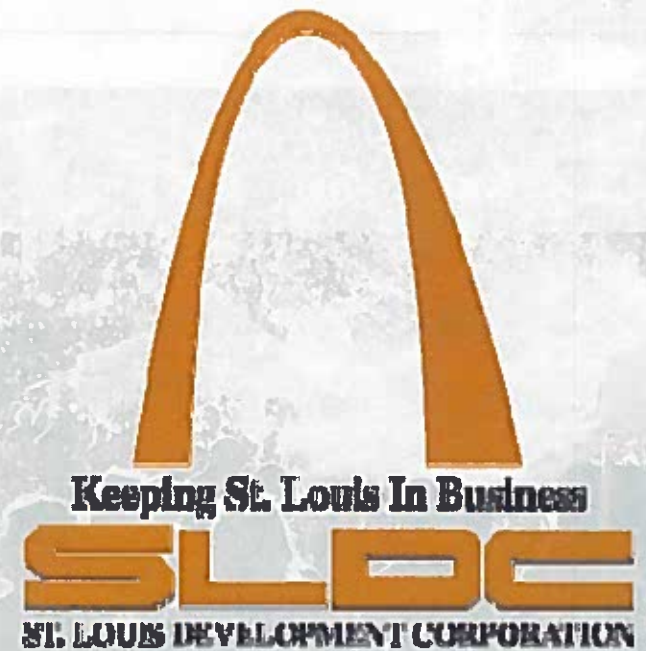


Discussion of
**ECONOMIC
DEVELOPMENT
INCENTIVE
POLICY**



Prepared by the St. Louis Development Corporation

Agenda

Introduction/Overview

Section 1

**PFM Incentives
Report Summary**

Section 2

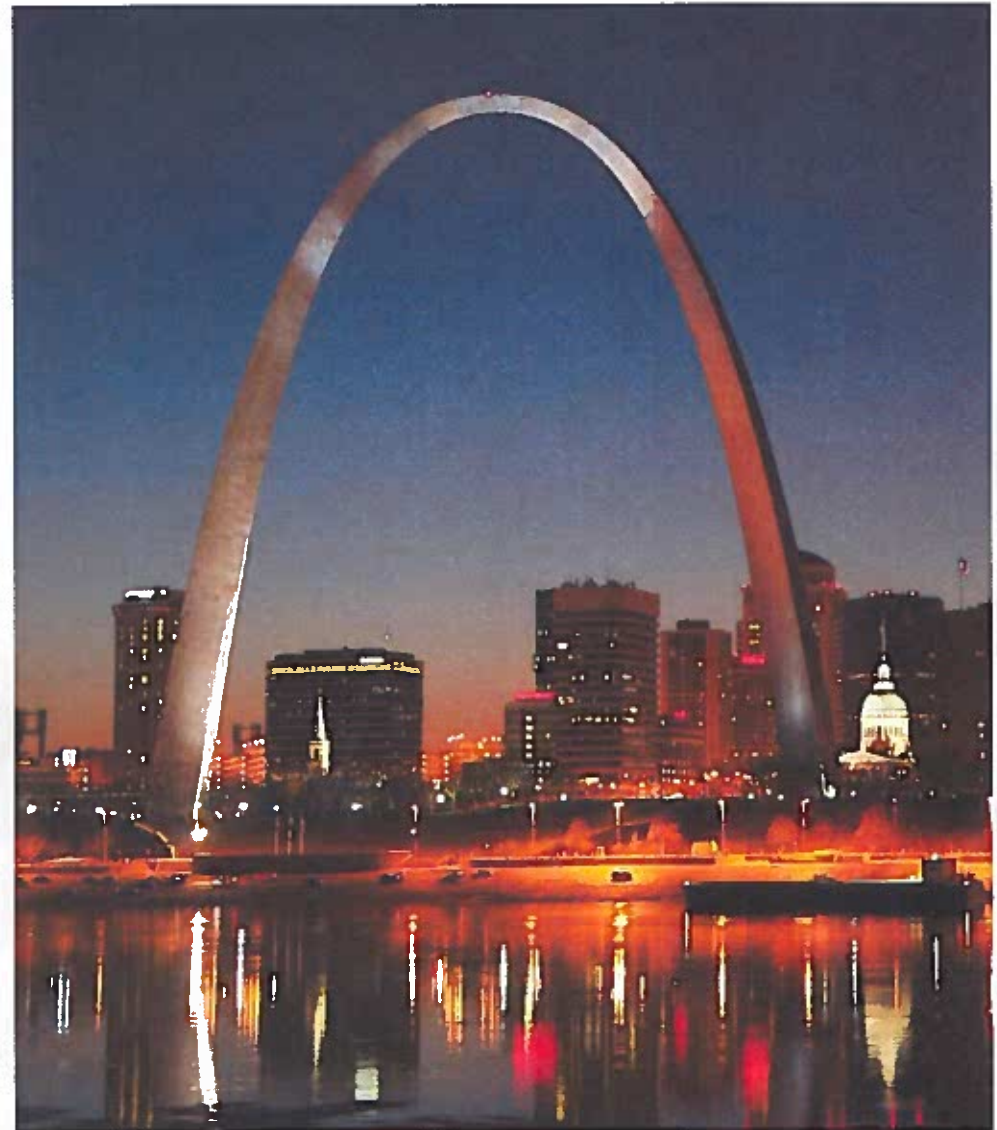
**Principles of
Incentive Use**

Section 3

**Proposed
Review Structure**

Discussion...

Next Steps...





Introduction / Overview

3 parts to this workshop...

Section 1

PFM Incentives Report Summary: Where are we starting?

Section 2

Principles of Incentive Use: What are we hoping this achieves?

Section 3

Proposed Review Structure: How do we intend to do this?



**Section 1: Summary of the
PFM INCENTIVES REPORT**



PFM Incentives Report Summary

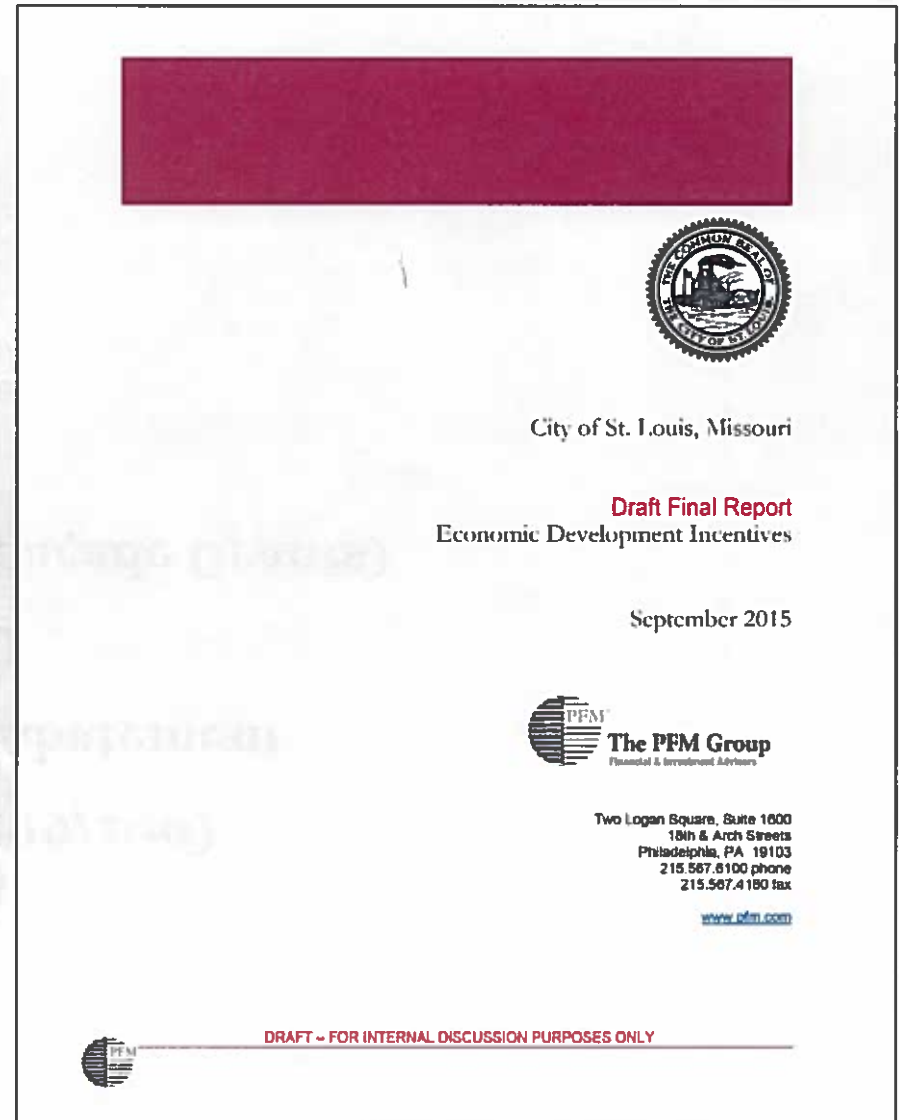
Public Financial Management, Inc. (PFM) partnered with **St. Louis University and the University of Missouri-St. Louis** on the study research and analysis.

The project team conducted **numerous interviews with subject matter experts** related to city planning and development – both internal and external stakeholders.

The project team **benchmarked economic development incentive use** and administration among peer cities around the country and in the St. Louis region.

The project team also obtained, **cleaned and analyzed historic data** related to incentive use and outcomes associated with specific projects and/or broader neighborhoods and the City as a whole.

Finally, the project team met on several occasions with the project sponsor and project manager to report on project progress, **identify key issues and concerns** and to verify and validate findings.





Programs & Incentives

- **Tax Increment Financing (TIF)**
- **Real Estate Tax Abatement (CH 99/100)**
- **Enhanced Enterprise Zone Tax Abatement**
- **Special Tax Districts (TDD, CID)**
- **Commercial District Program (Façade Grants)**
- **Set the PACE St. Louis**
- **St. Louis Brownfields Program**
- **Business Assistance Center**
- **Business Incubators**



Real Estate Tax Abatement (CH 99)

Purpose:

Real Estate Tax Abatement for **Commercial, Industrial, or Residential uses** is an active program to assist individuals, developers and businesses with **renovation & new construction** projects.

General Information:

Tax abatement provides that the real estate assessment on improvements be based on **pre-development value**. The usual term is **5 or 10 year full abatement**. The city has by statute the ability to provide up to 25 years of abatement (10 year full + 15 year 50%).





Tax Increment Financing (TIF)

Purpose:

TIF is a local tool to help **finance certain eligible improvements to property in designated redevelopment areas** by utilizing new (or incremental) tax revenues generated by the project after it's completion.

General Information:

Pre-development taxes are continually paid, and **Payments in Lieu of Taxes (PILOTS)** are deposited in a special allocation fund for up to **23 years**; along with **50% of any new Economic Activity Taxes (EATS)** such as sales taxes, utility taxes, or earnings taxes.





PFM Incentives Report Summary

- **The Incentives that make the biggest impact on the City's fiscal position are **TIF and Tax Abatement.****
- **Since 2000, The City has awarded **\$709 million in TIF and Tax Abatement****
 - (\$402 million in TIF)
 - (\$307 million in Tax Abatement)
- **Geographic concentration**
- **Localized Impact**
 - Permits | Assessed Values | Job Creation
- **Aldermanic influence in awarding incentives**
 - Impact on broader city development objectives
- **Need to tie planning with incentive use**
 - Zone based incentive use | Cost-benefit/fiscal impact/quantitative analysis



PFM Incentives Report Recommendations

- **Establish a formal framework for reporting and analyzing incentives data.**
- **Build greater quantitative measures into the application scoring process.**
- **Require additional reporting from incentive recipients.**
- **Focus incentive use around a City-wide plan for development.**
- **Develop a formal tax incentive related to the earnings tax.**

We need to phase these items in...



Section 2: Summary of the PRINCIPLES OF INCENTIVES USE

“Decisions about the usefulness of incentives, their design, and costs depend on a clear sense of their purpose, as well as the risks of deploying them.”



6 Principles

- **Principle #1** – Incentives should be utilized to encourage and facilitate development that would not otherwise happen.
- **Principle #2** – Incentives should be utilized to promote fiscal responsibility and ensure accountability to public scrutiny.
- **Principle #3** – Incentives should be utilized to increase the return on public investment & enhance the quality-of-life for citizenry.
- **Principle #4** – Incentives should be utilized to encourage building innovation and higher-quality development projects.
- **Principle #5** – Incentives should be utilized to encourage the “highest and best use” & ensure more efficient use of our land.
- **Principle #6** – Incentives should be utilized to assist the city in implementing other adopted plans, initiatives, and policies.



Principles of Incentive Use

Principle #1

Incentives should be utilized to encourage and facilitate development that would not otherwise happen.

(i.e. “but-for” test, not all projects need incentives...)



Principles of Incentive Use

Principle #2

Incentives should be utilized to promote fiscally responsibility and ensure accountable to public scrutiny.

(i.e. reporting, measuring & analyzing incentives...)



Principles of Incentive Use

Principle #3

Incentives should be utilized to increase
the return on public investment &
enhance the quality-of-life for citizenry.

(i.e. walkability, infrastructure, increased revenues from incentive use...)



Principles of Incentive Use

Principle #4

Incentives should be utilized to encourage building innovation and higher-quality development projects.

(i.e. minimum standards, creative design, “place-making”...)



Principles of Incentive Use

Principle #5

Incentives should be utilized to encourage the “highest and best use” & ensure more efficient use of our land.
(i.e. land use efficiency, population density, and urban context...)



Principles of Incentive Use

Principle #6

Incentives should be utilized to assist the city in implementing other adopted plans, initiatives, and policies.

(i.e. Sustainability Impact Statement, Affordable Housing, CPTED...)



6 Principles

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- **Principle #6** – Incentives should be utilized to **assist the city in implementing other adopted plans, initiatives, and policies.**



Discussion

What is your overall reaction to the proposed principles for incentives use?

What are we missing in these principles? Have we overlooked anything in specific?

What do you think about the use and award of development incentives on projects?

What do you think are the challenges that lay ahead?



Section 3: Summary of the Proposed REVIEW STRUCTURE

How do we intend to achieve this?



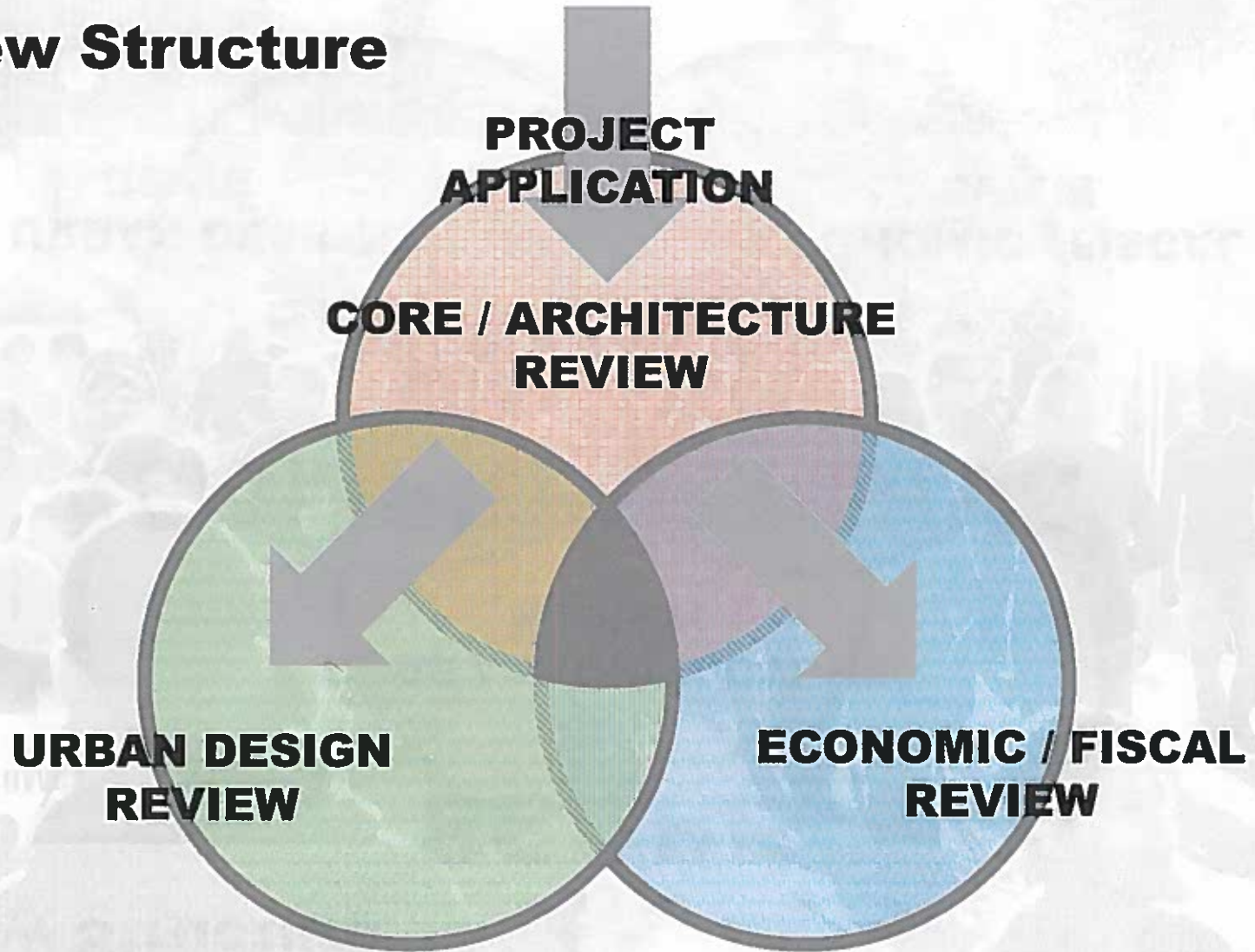
Review Structure

In order to achieve these principles, we intend to perform a comprehensive development review / scoring system that looks at each project from a multi-disciplined perspective.

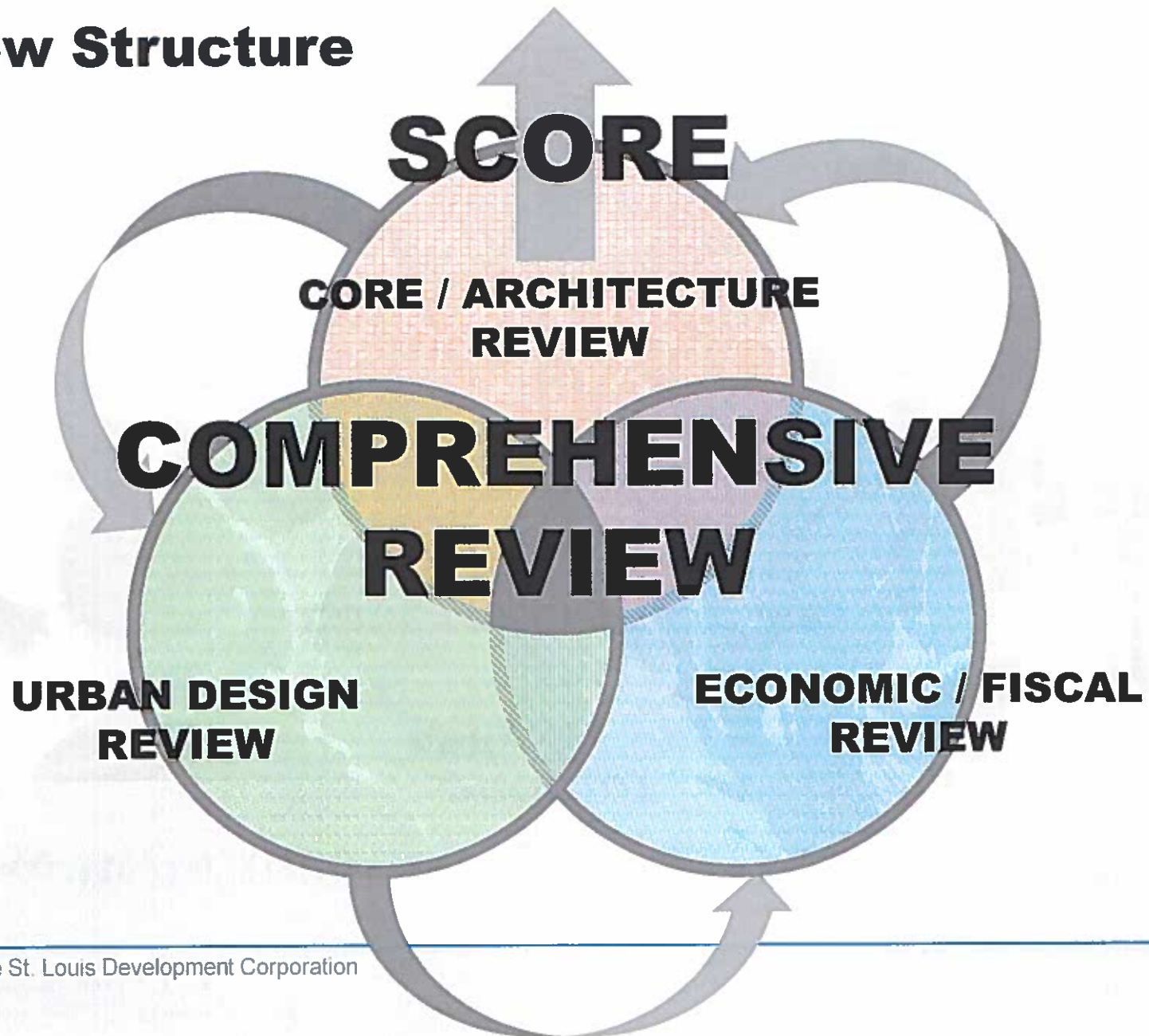
Specifically a scorecard that balances a Core / Architecture review, an Urban Design & and Economic / Financial review.



Review Structure



Review Structure





Review Structure

Core | Architecture Review

This review is *the* primary project review, which provides the basic levels of approvals necessary to meet the objectives of the legislation, as well as an overall project evaluation...

including (for instance) the legal requirements of a blighting plan and study, the required levels of investment, and the review of the building design, etc.



Review Structure

Core | Architecture Review

- **Blighting & Conditions Analysis**
Review of surrounding areas, level of blight reduction, and building conditions.
- **Proposed Uses & Program**
Review of intended uses for the area, building program, and overall redevelopment plan.
- **Investment Outlook**
Review of development team, project track record and overall levels of investment.
- **Building Typology & Character**
Review of building characteristics, relationship to local typologies, and general design.
- **Building Materials & Detailing**
Review of contextual surroundings, material characteristics, detailing and quality.
- **Signage Character**
Review of signage character, location, detailing, and design.
- **Sustainability Impact Statement (SIS)**
Review of the sustainability measures and impacts of a project.



Review Structure

Urban Design Review

This review is an integrated review that looks at the overall urban design / planning characteristics of a project through the lens of the city's historic fabric, walkability, and BMP's...

including (for instance), the planned walkability of a project, its' contribution to urban sustainability, adopted planning documents and intentions, or the sites' highest and best use.



Review Structure

Urban Design Review

- **Placement & Build-Out**
Review of surrounding context, urban building placement, and site build-out.
- **Height & Bulk**
Review of surrounding context, building heights, and overall development bulk.
- **Frontage & Articulation**
Review of building facades, articulation, and sensitivity to street facing facades.
- **Land Use & Unit Mix**
Review of walkability, mixture-of-uses, and diversity of unit types and spaces.
- **Access & Parking**
Review of parking facilities, layout, location, and intended access points.
- **Site & Landscaping**
Review of site improvements, landscaping, and other private spaces.
- **Streetscapes & Public Space**
Review of public amenities, streetscape elements, and other pedestrian improvements.



Review Structure

Economic / Financial Review

This review is consists of a comprehensive cost-benefit analysis that looks at the project's tax revenue relative to like-properties in the same relative geographic area...

includes a market analysis to estimate what portion of the project's revenue are net new to the City, (as opposed to just being shuffled around within the City).



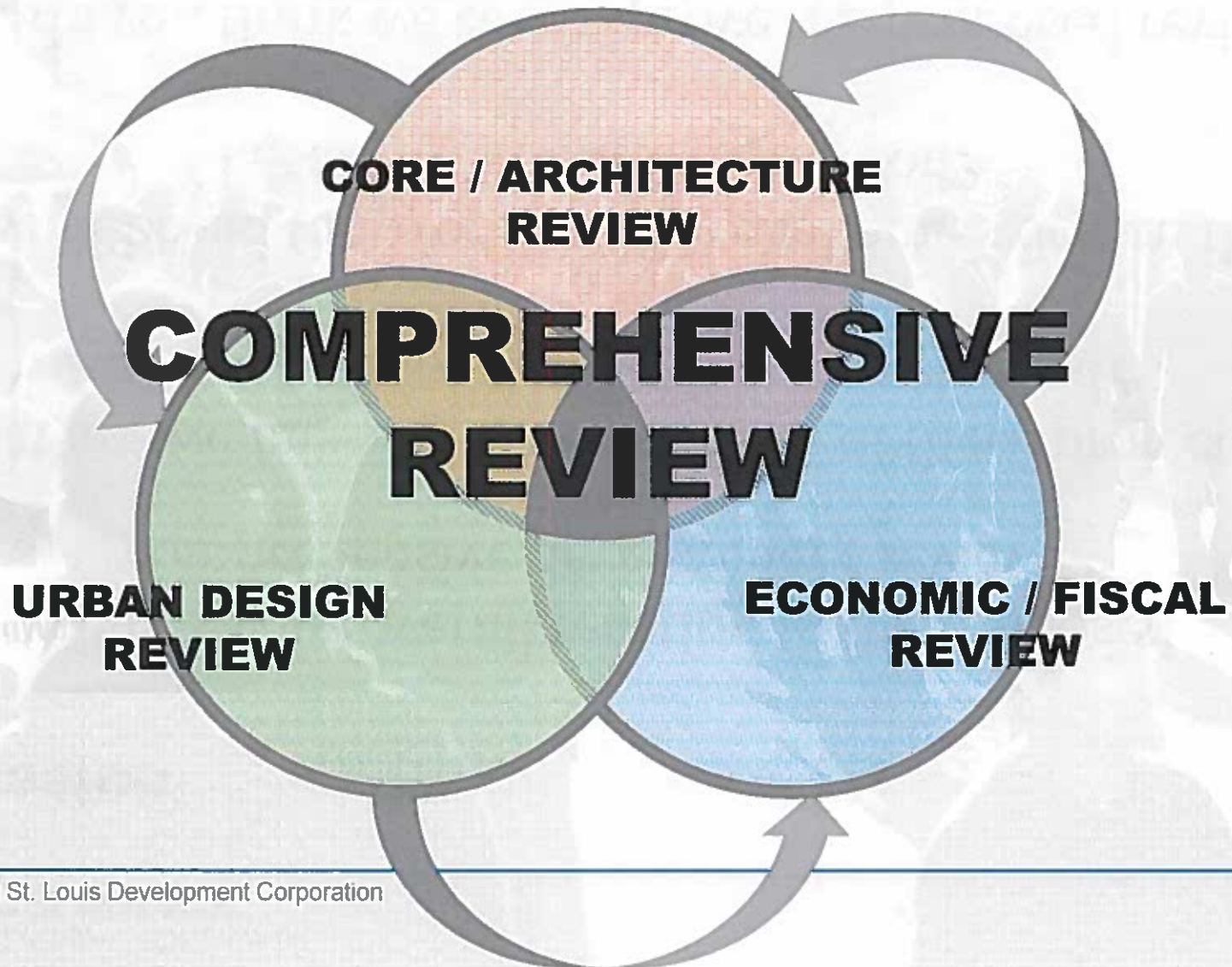
Review Structure

Economic / Financial Review

- **Pro-Forma Analysis**
In-depth review of the developer's operating pro-forma to assess incentive need.
- **Economic Value**
Measures the economic capacity of the project per unit of land.
- **Tax Revenue Comparison Analysis**
Review of revenue generated per square foot after incentives vs. like properties.
- **Tax Increment Study**
Accounts for relative blight through evaluation of new tax relative of existing base.
- **Substitution Market Analysis**
Estimates the portion of revenues that are net new to the City and discounts displaced revenue streams.



Review Structure





Discussion

What is your overall reaction to the proposed comprehensive development review?

What are we missing in our reviews of these projects?
Anything major that we have overlooked?

And what broad (and/or specific) challenges do you think lay ahead in implementation?

How do you think we can improve the proposed review structure for development projects?



Discussion Review Structure...

Core | Architecture Review

- **Blighting & Conditions Analysis**
- **Proposed Uses & Program**
- **Investment Outlook**
- **Building Typology & Character**
- **Building Materials & Detailing**
- **Signage Character**

OTHERS?

Urban Design Review

- **Placement & Build-Out**
- **Height & Bulk**
- **Frontage & Articulation**
- **Land Use & Unit Mix**
- **Access & Parking**
- **Site & Landscaping**
- **Streetscapes & Public Space**

OTHERS?

Economic / Financial Review

- **Pro-Forma Analysis**
- **Economic Value**
- **Tax Revenue Comparison Analysis**
- **Tax Increment Study**
- **Substitution Market Analysis**

OTHERS?

NEXT STEPS?

- 1. FINALIZE PRINCIPLES & STRUCTURE.**
 - 2. PREPARE A SCORECARD.**
 - 3. CONTINUE TESTING PROJECTS.**
 - 4. FORMALIZE REVIEW PROCESS.**
 - 5. IMPLEMENT SYSTEM (VOLUNTARILY).**
 - 6. MODIFY SCORING SYSTEM.**
 - 7. IMPLEMENT SYSTEM (MANDATORILY).**
-



THANK YOU!

ANY QUESTIONS?

**PLEASE LEAVE US WRITTEN
COMMENTS IF YOU WOULD LIKE!**
(see last page of your handout)

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