

BOARD BILL FISCAL NOTE

(Board Bills 168, 169, 170)

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Bill Sponsors: Alderwoman Heather Navarro & Alderwoman Shameem Clark-Hubbard

Bill Synopsis:	Board Bills 168,169 &170 collectively (1) approve the Forest Park Transit Oriented Development Redevelopment Plan and the Redevelopment Project described therein, (2) approve a Redevelopment Agreement in connection with the Redevelopment Plan, and (3) authorize the issuance of TIF Notes in the maximum principal amount of \$14,100,000 plus costs of issuance. The purpose of these bills is to approve tax increment financing assistance for the redevelopment of a mostly vacant and blighted property into a mixed-use (residential and commercial) development.
Type of Impact:	Tax increment financing allows for new, incremental revenues generated from a redevelopment project to be used to reimburse a developer for a portion of the costs associated with constructing redevelopment project. Taxing districts will forgo a portion of the new taxes generated by the Redevelopment Project for up to 23 years.
Agencies Affected:	Redevelopment of the Redevelopment Area will require building inspections and permits, as provided by the City Code. While tax increment financing is in effect, a portion of the tax revenues generated from the redevelopment area will be diverted to reimburse the developer for redevelopment project costs.

SECTION A

Does this bill authorize:

- An expansion of services which entails additional costs beyond that approved in the current adopted city budget? Yes No.
- An undertaking of a new service for which no funding is provided in the current adopted city budget? Yes No.
- A commitment of city funding in the future under certain specified conditions? Yes No.

Subject to the terms of the Redevelopment Agreement, the Developer will advance all costs of constructing the Redevelopment Project, but will be reimbursed for a portion of those costs through the issuance of a TIF Note payable from TIF revenues (no general City revenues will be used to repay the TIF Note).

- An issuance of bonds, notes and lease-purchase agreements which may require additional funding beyond that approved in the current adopted city budget? Yes No.

Subject to the terms of the Redevelopment Agreement, the City will need to appropriate the revenues described above to the repayment of the TIF Notes. Please note that, to the extent those revenues are not generated as expected (i.e., if the Redevelopment Project underperforms expectations, the City will have no obligation to use other revenues to make up any shortfall).

- An execution or initiation of an activity as a result of federal or state mandates or requirements? Yes No.
- A capital improvement project that increases operating costs over the current adopted city budget? Yes No.
- A capital improvement project that requires funding not approved in the current adopted city budget or that will require funding in future years? Yes No.

If the answer is yes to any of the above questions, then a fiscal note must be attached to the board bill. Complete Section B of the form below.

SECTION B

- Does the bill require the construction of any new physical facilities? Yes No.

- If yes, describe the facilities and provide the estimated cost:

- Is the bill estimated to have a direct fiscal impact on any city department or office?
 Yes No.

- If yes, explain the impact and the estimated cost:

The Comptroller's office and St. Louis Development Corporation (including the Minority Business Development and Compliance Office) will incur costs associated with administering the Redevelopment Project and the Redevelopment Agreement. However, the Redevelopment Agreement provides a source of funding for those costs, including (1) direct payments by the Developer and (2) use of a portion of the TIF revenues. Neither the Comptroller's office nor the St. Louis Development Corporation anticipate needing any further funding to cover the costs of administering the Redevelopment Project and Redevelopment Agreement.

The City's Building Division will also have costs associated with various inspections and permits. However, those costs should be covered by the City's permit fees.

Additionally, the Redevelopment Project's overall impact on the City's expected tax revenues has been studied. A report from the St. Louis Development Corporation is attached.

- Does the bill create a program or administrative subdivision? Yes No.

- If yes, then is there a similar existing program or administrative subdivision?

Yes No.

- If yes, explain the how the proposed programs or administrative subdivisions may overlap:

- Describe the annual operating, equipment, and maintenance costs that would result from the proposed bill, as well as any funding sources:

As noted above, the Comptroller’s office and the St. Louis Development Corporation will have various administrative costs associated with the Redevelopment Project and the Redevelopment Agreement, which will be paid by the Developer or with TIF revenues, as provided in the Redevelopment Agreement. The City’s Building Division will also have costs associated with providing inspections and permits. Similar to any other construction project in the City, these costs should be covered by permit fees.

In lieu of the chart below, a copy of a report by St. Louis Development Corporation analyzing the financial impact of the Redevelopment Project is attached (i.e., the “Scorecard”).

Complete the chart below to list the total estimated expenditures required of the City resulting from the proposed board bill and any estimated savings or additional revenue.

SEE ATTACHED REPORT

Financial Estimate of Impact on General Fund			
Fiscal Impact	<u>Year 1 (current)</u>	<u>Year 2</u>	<u>Year 3</u>
Additional Expenditures			
Additional Revenue			
Net			
Financial Estimate of Impact on Special Funds			
Fiscal Impact	<u>Year 1 (current)</u>	<u>Year 2</u>	<u>Year 3</u>
Additional Expenditures			
Additional Revenue			
Net			

- Describe any assumptions used in preparing this fiscal note:

Certain financial assumptions were made by St. Louis Development Corporation staff were made when preparing the attached report, including, without limitation, estimated tax revenues generated by the Redevelopment Project, future tax rates, appropriate capitalization rates, and the amount of taxable sales diverted from existing development to the Redevelopment Project (i.e., the “substitution effect”).

- List any sources of information (including any City officials, agencies, or departments) used in preparing this fiscal note:

St. Louis Development Corporation relied on published market data and materials submitted by the Developer to develop the attached report. Review of the Redevelopment Agreement was provided by attorneys in the City Counselor's office (who are assigned to the St. Louis Development Corporation), outside counsel to St. Louis Development Corporation (Gilmore & Bell, P.C.) and outside counsel to the Comptroller's office (Armstrong Teasdale LLP).

- Have the financial estimates of this bill been verified by the City Budget Division?
 Yes No.
- If yes, by whom? _____ .

Forest Park Transit Oriented Development Project Financial Impact Report

Market Average Rate of Return		Project 10 Year Rate of Return	
Low End of Range	High End of Range	No Incentives	w/ Incentives
6.5%	9.0%	5.7%	7.3%

10-Year Revenues to the City	
Gross City Revenue Generated by Project*	\$7,428,316.00
- City Portion of Incentive	\$3,341,333.00
- Revenue Lost to Substitution Effect	\$2,360,155.00
= Net Revenue to the City	\$1,726,828.00
- Baseline Revenue (if No Project)	\$205,822.00
= Net New Revenue to City	\$1,521,006.00
Net New Revenue to School District	\$534,684.00

30 Year Return on Investment to the City	
Opportunity Cost/Investment	\$20,424,289.00
Average Commercial Cost	\$7,672,267.00
Net Return After Incentive	\$13,716,441.00
30 Year ROI (Opp. Cost)	-32.8%
30 Year ROI (Avg. Cost)	78.8%

Project Score	
Value Score	10.50
Tax Revenue Score	17.30
Increment Score	1.50
Total Score	29.3/40
Project Grade	3.5/5

TIF Capture Percentages	
Property Tax PILOTs	100.000%
Sales Tax	50.000%
Food & Beverage Tax	50.000%
Earnings & Payroll Tax	50.000%
Parking Tax	50.000%
Utility Tax	50.000%

Project Financing	Amount	Percent
Federal Historic Tax Credits	\$0.00	
State Historic Tax Credits	\$0.00	
State Brownfields Tax Credits	\$0.00	
New Market Tax Credits	\$0.00	
TIF	\$12,700,000.00	14%
Hotel Sales Tax Rebate	\$0.00	
CID/TDD	\$1,400,000.00	2%
Private Debt	\$54,890,111.00	60%
3rd Pos. Debt:	\$0.00	
Equity:	\$22,493,407.25	25%
Deferred Developer Fee	\$0.00	
Other Public:	\$0.00	
Total Project Sources (Permanent)	\$91,483,518.25	100.0%
Uses of Funds		
Land/Building Acquisition	\$1,428,000.00	2%
Construction Hard Costs	\$69,851,054.25	76%
Infrastructure Hard Costs	\$0.00	
Development Soft Costs	\$9,130,000.00	10%
Financing Costs	\$6,074,464.00	7%
Developer's Fee	\$5,000,000.00	5%
Total Reserves	\$0.00	
Total Project Uses	\$91,483,518.25	100.0%
% Local Public to Private Investment (excluding CID/TDD)		13.9%
% Total Public to Private Investment (excluding CID/TDD)		13.9%

Substitution Rates	
Payroll	35%
Retail Sales	25%
Restaurant	85%
Residents	41%
Hotel	N/A

TIF Payoff Year	2043
Break Even Year	#N/A
Years to Break Even (from project completion)	#N/A

* City Revenue projections excludes personal property, parking and utility tax estimates.