St. Louis City Ordinance 64931

FLOOR SUBSTITUTE
BOARD BILL NO. [99] 305
INTRODUCED BY ALDERMAN PHYLLIS YOUNG, FRANCIS G. SLAY

AN ORDINANCE REPEALING ORDINANCE NO. 64595, APPROVED FEBRUARY 5, 1999; DESIGNATING A PORTION OF THE CITY OF ST. LOUIS, MISSOURI A REDEVELOPMENT AREA; APPROVING A REDEVELOPMENT PLAN; APPROVING A REDEVELOPMENT PROJECT PURSUANT TO THE REAL PROPERTY TAX INCREMENT ALLOCATION REDEVELOPMENT ACT; AND MAKING FINDINGS RELATED THERETO.

WHEREAS, the Tax Increment Financing Commission of the City of St. Louis, Missouri (the �Commission�), is duly constituted according to the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865 of the Revised Statutes of Missouri (1994), as amended (the �Act�); and

WHEREAS, the Act authorizes the Commission to hold hearings with respect to proposed redevelopment areas, plans and projects and to make recommendations thereon to the Board of Aldermen; and

WHEREAS, staff and consultants at the direction of the Board of Alderman have prepared a new proposal for redevelopment titled �Redevelopment Plan for the Convention Headquarters Hotel Redevelopment Area�, dated December 15, 1999, as amended (the �Redevelopment Plan�), which presents a plan for the commercial development of an area in Downtown St. Louis including the Gateway Hotel and Lennox Hotel structures for convention hotel uses with appropriate ballroom and meeting room space along with an 850-space parking structure (the entire proposal for redevelopment as described in the Redevelopment Plan being hereinafter referred to as the �Redevelopment Project�); and

WHEREAS, after proper notice, the Commission held a public hearing in conformance with the Act on February 2, 2000, and received comments from all interested persons and taxing districts affected by the Redevelopment Plan and Redevelopment Project described therein; and

WHEREAS, the Board of Aldermen has received the recommendations of the Commission and wishes to accept the recommendations and to designate the Redevelopment Area as a redevelopment area and to adopt the Redevelopment Plan as amended by the Board of Aldermen, and implement the Redevelopment Project, as set forth therein.

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF ST. LOUIS AS FOLLOWS:

SECTION 1: Ordinance No. 64595, approved February 5, 1999, designating a portion of the City a redevelopment area and approving a redevelopment plan and project, is hereby repealed in its entirety.

SECTION 2: The Board of Aldermen hereby makes the following findings:

A. The Redevelopment Area on the whole is a �blighted area� as defined in Section 99.805(1) of the Act, and has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without adoption of the Redevelopment Plan;

B. The Redevelopment Plan conforms to the comprehensive plan for the development of the City as a whole;

C. The estimated dates of completion of the Redevelopment Project and retirement of obligations incurred to finance redevelopment project costs have been stated as not later than twenty-three years from the adoption of this Ordinance; and

D. A plan has been developed and included in the Redevelopment Plan for relocation assistance for businesses within the Redevelopment Area.

E. A cost-benefit analysis has been included showing the economic impact of the plan on each taxing district affected by the Redevelopment Plan, which analysis shows the impact on the economy if the project is not built, a fiscal impact study on affected political subdivisions and sufficient information for the Commission to determine that the Project as proposed is financially feasible.

F. The Redevelopment Plan does not include the initial development or redevelopment of any gambling establishment.

SECTION 3: The Redevelopment Area is hereby designated as a �redevelopment area� as defined in Section 99.805(11) of the Act.

SECTION 4: The Redevelopment Plan and the Redevelopment Project included in the Redevelopment Plan are hereby approved and adopted. A copy of the Redevelopment Plan is attached hereto as Exhibit A and incorporated herein by reference.

SECTION 5: The Board of Aldermen, the Mayor and the Comptroller of the City are hereby authorized to take any and all actions as may be deemed necessary or convenient to carry out and comply with the intent of this Ordinance with regard to the implementation of the Redevelopment Plan and the Redevelopment Project and to execute and deliver for and on behalf of the City all certificates, instruments, agreements, or other documents as may be necessary, desirable, convenient, or proper to carry out the matters herein authorized.

SECTION 6: The sections, paragraphs, phrases, clauses, and words of this Ordinance shall be severable. In the event that any portion of this Ordinance is found by a court of competent jurisdiction to be invalid, the remaining portions of this Ordinance are valid, unless the court finds the valid portions of this Ordinance are so essential and inseparably connected with and dependent upon the void portion that it cannot be presumed that the Board of Aldermen would have enacted the valid portions without the invalid ones, or unless the court finds that the valid portions standing alone are incomplete and are incapable of being executed in accordance with the legislative intent.

SECTION 7: Be it further ordained that all ordinances or parts of ordinances in conflict with the provisions of this Ordinance are hereby repealed.

APPENDIX 9

Financial Structure Alternative A
(Additional Empowerment Zone Bonding Authority Awarded)

Sources

Private Funding Sources		
First Mortgages		$117,000,000
Series 2000 A Tax-Exempt Bonds (Hotel)	$95,000,000	
Series 2000 B Tax-Exempt Bonds (Hotel)	12,000,000	

Series 2000 C Taxable Bonds (Hotel) 10,000,000
Hotel Owner Equity (Federal Tax Benefits) 17,283,000
Hotel Owner Equity (Sale of Sate Tax Benefits) 16,640,000
$150,923,000
Public Funding Sources
Tax-Increment Financing/Other City-Assistance
City Loan (HUD 108 Guarantee) 50,000,000
Capital Appreciation Bonds
22,695,000
Supplemental Assistance 2,000,000
Subtotal $ 74,695,000
State Funding Assistance
MDFB Series 1999 Taxable Bond (Garage) 16,542,000
Total
$242,160,000
Uses
Hard Costs, Acquisition and Project Contingency $149,436,000
FF&E
33,984,000
Soft Costs
15,257,000
Construction Period Interest
10,665,000
Development Fee 9,265,000
Taxes During Construction
-0-
Title & Recording
136,000
Post-Completion Operating Reserve
4,150,000
Secondary Reserve Fund-1999 (Series A only) 1,605,000
Bond Debt Service Reserve (Series A only) 6,060,000
Hotel Working Capital 1,369,000
Financing Expenses

5,698,000

Pre-Opening Expenses 4,535,000

Total

$242,160,000

Financial Structure Alternative B
(Additional Empowerment Zone Bonding Authority Not Awarded)

Sources

Private Funding Sources

First Mortgages		$105,000,000
Series 2000 A Tax-Exempt Bonds (Hotel)	$95,000,000	
Series 2000 B Tax-Exempt Bonds (Hotel)	0	
Series 2000 C Taxable Bonds (Hotel)	10,000,000	
Preferred Hotel Owner Equity		6,000,000
Hotel Owner Equity (Federal Tax Benefits)		17,283,000
Hotel Owner Equity (Sale of Sate Tax Benefits)		16,640,000

$144,923,000

Public Funding Sources

Tax-Increment Financing/Other City-Assistance City Loan (HUD 108 Guarantee)	50,000,000

Capital Appreciation Bonds

23,695,000

Supplemental Assistance	7,000,000
Subtotal	$ 80,695,000

State Funding Assistance

MDFB Series 1999 Taxable Bond (Garage)

16,542,000

Total

$242,160,000

Uses

Hard Costs, Acquisition and Project Contingency	$149,436,000

FF&E

33,984,000

Soft Costs

15,257,000

Construction Period Interest	
10,665,000	
Development Fee	9,265,000
Taxes During Construction	
-0-	
Title & Recording	
136,000	
Post-Completion Operating Reserve	
4,150,000	
Secondary Reserve Fund-1999 (Series A only)	
1,605,000	
Bond Debt Service Reserve (Series A only)	6,060,000
Hotel Working Capital	1,369,000
Financing Expenses	5,698,000
Pre-Opening Expenses	4,535,000
Total	$242,160,000

Financial Structure Alternative C
(Additional Empowerment Zone Bonding Authority Not Awarded and No Supplemental Assistance)

Sources		
Private Funding Sources		
First Mortgages		$105,000,000
Series 2000 A Tax-Exempt Bonds (Hotel)	$95,000,000	
Series 2000 B Tax-Exempt Bonds (Hotel)	0	
Series 2000 C Taxable Bonds (Hotel)	10,000,000	
Preferred Hotel Owner Equity		6,000,000
Hotel Owner Equity (Federal Tax Benefits)		17,283,000
Hotel Owner Equity (Sale of Sate Tax Benefits)	16,640,000	
$144,923,000		
Public Funding Sources		
Tax-Increment Financing/Other City-Assistance		
City Loan (HUD 108 Guarantee)		50,000,000
Capital Appreciation Bonds		
30,695,000		

Supplemental Assistance	0
Subtotal	$ 80,695,000
State Funding Assistance	
MDFB Series 1999 Taxable Bond (Garage)	16,542,000
Total	
$242,160,000	
Uses	
Hard Costs, Acquisition and Project Contingency	$149,436,000
FF&E	
33,984,000	
Soft Costs	
15,257,000	
Construction Period Interest	
10,665,000	
Development Fee	9,265,000
Taxes During Construction	
-0-	
Title & Recording	
136,000	
Post-Completion Operating Reserve	
4,150,000	
Secondary Reserve Fund-1999 (Series A only)	1,605,000
Bond Debt Service Reserve (Series A only)	6,060,000
Hotel Working Capital	1,369,000
Financing Expenses	
5,698,000	
Pre-Opening Expenses	4,535,000
Total	
$242,160,000	

I. OVERVIEW OF TIF

II. INTRODUCTION

III. BACKGROUND OF AREA

I. OVERVIEW OF TAX INCREMENT FINANCING (TIF)

In order to promote the redevelopment of a declining area, or to induce new activity in an area that has been lacking in growth and development, the State of Missouri has provided statutory tools to counties and municipalities to assist private, and initiate public investment. One such tool is the Real Property Tax Increment Allocation Redevelopment Act (R.S.Mo. Sec. 99.800 et. seq.), also known as the "TIF Act." The TIF Act allows cities and counties to (1) identify and designate redevelopment areas that qualify as Blighted Areas, Conservation Areas, or Economic Development Areas as each are defined in the TIF Act; (2) adopt a redevelopment plan that designates the redevelopment area and states the objectives to be attained and the program to be undertaken; (3) approve a redevelopment project(s) for implementation of the redevelopment plan; and (4) utilize the tools set forth in the TIF Act to assist in reducing or eliminating those conditions that cause the area to qualify as a redevelopment area. Generally, the TIF Act allows municipalities to foster economic and physical improvements in a redevelopment area and to enhance the tax base of all taxing districts that levy taxes in the area. Within redevelopment areas, municipalities may use the power of eminent domain to provide necessary property acquisition for the implementation of a redevelopment plan and redevelopment project.

The concept of tax increment financing is outlined as follows: implementation of a redevelopment project within the redevelopment area will produce increased real estate assessments attributable to the redevelopment within the area. The project then makes Payments in Lieu of Taxes (�PILOTS�) on the increased assessed value of the improved property. The project also generates new Economic Activity Taxes (�EATS�) resulting from operations within the project area. The TIF Act authorizes the capture of certain PILOTS and EATS in the redevelopment area over and above such levels within that area in the year prior to the approval of the redevelopment project. New development is made possible within the redevelopment area through the municipality's use of incremental revenues to finance certain costs of developing or redeveloping the area.

Typically bonds or other financial obligations are issued by the municipality to finance certain costs of the redevelopment project. These financial obligations are then retired using the incremental revenues generated by the redevelopment project(s) within the redevelopment area. The municipality segregates these incremental revenues into a special account, the "special allocation fund," during the period of time in which the incremental revenues are dedicated to the purposes identified in the redevelopment plan. The municipality is further authorized to pledge additional net new revenues from the project to the purposes identified in the redevelopment plan. All taxing districts that levy taxes on property within the redevelopment area continue to receive tax revenues based upon property values, which existed prior to the adoption of ordinances establishing the redevelopment area. Taxing districts also benefit from the increase in certain other taxes resulting from the increased economic activity in the redevelopment area. These taxes resulting from development of the redevelopment project are not deposited in the special allocation fund pursuant to the provisions of the TIF Act.

The TIF Act requires that, prior to establishing a redevelopment area or approving or amending TIF plans and projects, a municipality must create a TIF Commission. A TIF Commission is comprised of six individuals appointed by the chief elected official of the municipality, with the consent of its governing body, and three individuals who are appointed by the other taxing districts within the proposed redevelopment area. Two of these three members are to represent the school district(s) that tax property within the proposed redevelopment area; the other member is appointed by all the remaining taxing districts. The TIF Commission's role is to review, consider, and make recommendations to the municipality's governing body concerning the adoption of redevelopment plans and redevelopment projects and the designation of redevelopment areas; and to exercise such other powers as are available to it under the TIF Act.

II. INTRODUCTION

The City of St. Louis (�the City�) has long recognized and responded to the growing economic impact potential of the convention and tourism industry. The Cervantes Convention Center, first opened in 1977, has been expanded and improved in order to keep pace with the increasingly competitive market, first in 1993 and again in 1995. America�s Center (a.k.a. Cervantes Convention Center) is now the 11th largest convention center in the United States. In 1997, it was estimated that the economic impact from conventions and meetings for the region was $2 billion, creating 5,375 jobs and generating $176 million and $125 million in State and local taxes respectively.

Despite the success of its highly rated facility, St. Louis is beginning to see limits in its growth potential in the convention marketplace. Major convention cities that St. Louis competes with all have the competitive advantage of at least one 1,000-plus-room hotel, adjacent to or connected to their convention center. St. Louis has recognized for some time the need to develop a convention hotel in order to remain competitive; however, past attempts to attract interested developers have been unsuccessful. Due to the current favorable market conditions and the availability of new public investment programs, the City�s recent request for proposals attracted several interested development teams consisting of convention hotel developers, operators, architects, and contractors with international reputations.

In December, 1997, an advisory committee of local and regional officials, convention and tourism industry experts, and business leaders made a recommendation to the Mayor regarding the selection of a development team for the convention center hotel. The Mayor commenced negotiations on an agreement with the selected team to develop and operate the much-needed 1,000-room Convention Headquarters Hotel (�Project�) in St. Louis. The team selected consists of Historic Restoration Inc., Washington Avenue Historic Developer, L.L.C., and Housing Horizons, LLC (collectively, the �Developer�). The proposed project will adaptively reuse two historic hotels (both on the National Register of Historic Places), complemented by new construction to create a new landmark for Downtown St. Louis. This project will be the focus of a revitalized 24-hour neighborhood with residential, retail, convention, tourism, and entertainment activity supported by adequate parking.

The St. Louis Convention and Visitors Commission (�CVC�) expects the opening of the new hotel by 2002 to result in an increase in City-wide, major conventions (those using more than 1,000 hotel rooms per night) from the current stabilized maximum of 34 to approximately 53 by the year 2006. The anticipated annual result will be an additional 400,000 hotel-room nights and a direct economic impact of over $123,000,000.

The importance of this project to the economies of the City, the region, and the State of Missouri cannot be overstated. This Tax Increment Financing Redevelopment Plan (�Redevelopment Plan�) designates the project area (as defined herein) as blighted and to illustrate the need for TIF and other forms of public investment in order to assure the successful completion of the project.

III. BACKGROUND OF AREA

The proposed redevelopment area (�Project Area�) is in Downtown St. Louis. It includes all of City Block 171 bounded by Washington Avenue to the North, 9th Street to the West, St. Charles Street to the South, and 8th Street to the East; the portion of City Block 170 known as the Lennox Hotel; all of City Block 172 bounded by Washington Avenue to the North, 10th Street to the West, St. Charles Street to the South, 9th Street to the East; and the Northern half of City Block 272 bounded by St. Charles Street to the North, 10th Street to the West, the East-West Alley North of Locust Street to the South, 9th Street to the East. (A legal description and map of the area are attached as Appendices 1 and 2.)

The Project Area has a history of disinvestment and underutilization. Most of the structures in the Project Area have been vacant for a number of years; others have been demolished to allow for use of the property as surface parking lots. The Project Area has suffered from a lack of private development despite the success of the extensive redevelopment of the adjacent America�s Center. The area includes the proposed site of the Hotel (�Hotel Area�) and the proposed site for the hotel�s ballrooms, service area, and parking garage (�Ballroom/Garage Area�). The Project Area includes the vacant Gateway (a.k.a. Statler) and Lennox Hotels, and a surface parking lot adjacent to the Gateway. The Ballroom/Garage Area includes an aging parking structure, two surface parking lots, and a five-story commercial building, partially occupied and in poor condition. (See parcel identification map, Appendix 3.)

IV. FINDING OF BLIGHT

The Project Area is located in a broader area known as the Downtown Washington Avenue Redevelopment Area (�WARA�). (See map Appendix 4.) WARA was declared blighted under Missouri Statutes Chapters 99 and 353 in 1984 in order to spur redevelopment. Redevelopment of both the Lennox and Gateway Hotels was an element of both plans for WARA. Despite the incentives available through such plans, primarily real estate tax abatement, the Gateway Hotel remains unoccupied and undeveloped. The Lennox Hotel was renovated for use as residential apartments in 1985 but was unsuccessful due to the inability to attract tenants at sufficient rent levels to make the project economically viable. The Lennox Hotel project was eventually foreclosed upon and the remaining tenants were relocated. In addition to the local incentives available under the redevelopment plans, both buildings have been eligible for Federal Tax Incentives for Restoration of Historic Structures since they were placed on the National Register of Historic Places (Gateway since 1982, Lennox since 1984). However, these additional incentives along with those offered under Chapters 99 and 353 have not been sufficient to encourage redevelopment within the Project Area.

As defined in the Missouri Revised Statutes, Sections 99.800 - 99.865 (�Real Property Tax Increment Allocation Redevelopment Act� or �TIF Act�), a �blighted area� is:

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 the 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 menace to the public health, safety, morals or welfare in its present condition and use.

The Project Area is a blighted area as defined above based upon the fact that it exhibits blighting factors enumerated above and evidence that further blight is likely to occur. A summary of the blighting characteristics in the Project Area is outlined as follows:

Unsanitary or Unsafe Conditions

Many of the buildings in the Area present unsafe conditions. The Gateway Hotel (�Gateway�) has suffered from a number of fires and years of deferred maintenance and neglect since it was last occupied in 1986. The Gateway has fallen into a state of disrepair such that the walls and ceilings are not stable in all areas. Years of vacancy have resulted in chipping paint and falling plaster throughout the Gateway; additionally, a significant amount of pigeon waste has accumulated during this period of inactivity. The Gateway contains large quantities of environmentally hazardous materials (asbestos, lead paint, PCB), a significant amount of which has been distributed onto the floors and walls as the result of scavengers removing pipes and wiring for scrap. An assessment of the Gateway has been completed and the estimated costs associated with the clean up are being identified.

Deterioration of Site Improvements

Although the Gateway is the most notable example of deteriorating site improvements in the Project Area. Other structures in the Project Area also show signs of deterioration. The garage formerly located at 9th and St. Charles Streets had deteriorated to the point that demolition became necessary, and the site was recently cleared for interim surface parking. The Lennox Hotel shows the least amount of deterioration, as it was renovated and operating until 1993.

Six years of vacancy have resulted in some signs of deterioration. Without redevelopment, these signs will increase rapidly.

The streets and sidewalks in the area are all in fair to poor condition. St. Charles Street is in particularly poor condition as it is primarily used by truck traffic for deliveries. Some of the pavement on the surface parking lots is also in poor condition.

Obsolete Platting

Each block within the Area is bounded by the existing city streets in Downtown St. Louis, and with regard to the Lennox Hotel, by America�s Center to the east and north. Consequently the limited land available at each of the Gateway Hotel and the Lennox Hotel is not sufficient to accommodate all the elements required for a modern commercial enterprise. The aged parking structure and surface parking lot in City Block 172 are not sufficient to support current parking demand in the area or the requirements of successful commercial enterprises at the Gateway Hotel or the Lennox Hotel. The consequences of this obsolete platting and layout of these City Blocks constitutes an economic liability to the City and the Project Area.

Existence of Conditions Which Endanger Life or Property by Fire or Other Causes

As mentioned above, the condition of the Gateway Hotel has deteriorated such that it is no longer considered to be safe for occupancy. Limited resources prevent adequate security to assure that individuals will not gain access to the building. The Gateway suffers from deterioration, which has resulted not only from deferred maintenance and neglect, but also from a number of fires, large and small, which have occurred since the hotel closed. The hotel suffered a major fire shortly after closing in 1987 as well as a number of smaller fires, which were set by homeless seeking shelter in the vacant hotel. The conditions within the structure could be potentially life threatening. The existence of environmentally hazardous materials also presents potentially life-threatening conditions.

Constitutes an Economic or Social Liability

The two structures within the Project Area are owned the by Land Clearance for Redevelopment Authority (LCRA) and represent an economic liability through continued drain of the limited public resources to maintain the properties. Additionally, the continued deterioration of these properties increases LCRA�s risk of causing injury to parties who may come in contact with them. As long as these properties remain undeveloped and in the ownership of LCRA, they will continue to generate no taxes, representing a liability in the form of lost revenues.

Continued lack of redevelopment in the Project Area will result in declining property values and lost tax revenue from the privately owned properties as well. The amount of tax revenue generated from these parcels is currently minimal due to their uses and deteriorating site conditions. Assuming the property conditions and uses remain as they exist, tax revenues will likely decline or, at best, remain constant. This condition represents an additional economic liability.

Menace to the Public Health, Safety, Morals or Welfare in its Present Condition and Use

The Project Area exhibits many factors, which constitute a menace to the public health, safety, morals, or welfare in its present condition and use. Deteriorating and unsafe site conditions illustrated above represent a menace to the public health and safety; the economic liability illustrated above represents a menace to the public welfare.

V. Redevelopment Plan

General Description of Program

The objective of the Redevelopment Plan is to redevelop the Project Area to include a 1,081-room Convention Headquarters Hotel complex along with a parking structure to adequately serve the parking needs of the Convention Headquarters Hotel and the surrounding area. The proposed redevelopment includes the renovation of the long-vacant Gateway Hotel, expanded by a new hotel tower to be built on the adjacent parking lot (�Convention Hotel�); the renovation of the Lennox Apartments into an all-suite, extended-stay hotel (�Suite Hotel�); and the construction of a structure across 9th Street which will include ballrooms, meeting space, and the service areas of the hotel, retail space on the Washington Avenue and 10th Street frontages, and approximately 850 parking spaces (�ballroom/garage structure�). The Convention Headquarters Hotel will be connected to the ballroom/garage structure via a tunnel under 9th Street. (See proposed site plan, Appendix 5.) The Missouri Development Finance Board (�MDFB�) will assist with the financing of the garage structure in conjunction with the Developer.

General Land Uses to Apply

Currently the Project Area includes two large vacant hotels, an obsolete parking garage, an old building, and the land is occupied by surface parking lots. All of the Project Area will be used for commercial use and parking when redeveloped. The entire Project Area is currently zoned �I� Central Business District, in which commercial use and parking are allowable uses. (See land use and zoning maps, Appendices 6, 7 and 8.)

Estimated Redevelopment Project Costs

The total project cost as proposed by the Developer, including �soft costs,� is $242,160,000. A schedule of the alternative sources and uses of funds is attached as Appendix 9. This Redevelopment Plan provides for the use of 100% of all available PILOTS and the use of not less than 50% of all EATS, together with other revenues made available by the Project and certain new state assistance to fund portions of the total project costs, as approved by the Director of the Department of Economic Development and appropriated by the State, in each case for a full 23 years. Funds generated by TIF may be used to fund Project costs, which include, but are not limited to: Costs of studies, surveys, plans and specifications;

Professional service costs, including but not limited to, architectural, engineering, legal, marketing, financial, planning, or special services;

Property assemblage costs, including but not limited to, acquisition of land and other property, real or personal, or rights or interest therein, demolition of buildings, and the clearing and grading of land;

Costs of rehabilitation, reconstruction or repair or remodeling of existing buildings and fixtures, or construction of any structure or building, pursuant to RSMo 99.820;

Costs of construction of public works or improvements;

Financing costs, including, but not limited to, all necessary and incidental expenses related to the issuance of obligations, and which may include the payment of interest on any obligations issued under the TIF Act accruing during the estimated period of construction of the Redevelopment Project and for not more than eighteen months thereafter, and including reasonable reserves related thereto;

All or a portion of a taxing district�s capital costs resulting from the Redevelopment Project necessarily incurred or to be incurred in furtherance of the objectives of the Redevelopment Plan and Project, to the extent the City by written agreement accepts and approves such costs; and

Relocation costs as requested under this Redevelopment Plan and the Redevelopment Agreement.

It is not the intent of this Redevelopment Plan to restrict the City or the Developer to the alternative amounts or costs outlined in Appendix 9. Specific items and costs to be financed may vary from those shown; but only those Redevelopment Project costs provided for in Section 99.805 (14) of the TIF Act will be paid by the City from the Special Allocation Fund. It is the intent of this Redevelopment Plan that the total net amount of revenues for Redevelopment Project costs from the City obligations issued in conjunction with implementation of this Redevelopment Plan and Project will not exceed $80,695,000 plus issuance costs, capitalized interest, and reserves if no additional Empowerment Zone tax-exempt bonding authority is awarded to the Developer.

Anticipated Type and Term of Sources of Funds

The Developer has proposed a funding package that includes participation by both public and private investors. Private debt and equity contributions include equity participation resulting from the use of both Federal and State Historic Tax Credits, and account for nearly two thirds of the total funding. Public participation will be in the form of TIF (State and Local), Historic Tax Credits (Federal and State) and other public investment. A detailed schedule of the sources and uses of funds is attached as Appendix 9.

The other public investment may include the following:

Brownfields Benefits - remediation, jobs and investment tax credits, infrastructure grant HUD Section 108 Loan and Block Grant Funds (The City applied for a HUD 108 loan which may fund a portion of project costs).

HUD Economic Development Initiative (EDI) Grant

Missouri Economic Development Tax Credits

Missouri Development Finance Board participation

Empowerment Zone Board participation
Anticipated Type and Terms of Obligations to be Issued

As evidenced in the Intergovernmental Cooperation and Development Assistance Agreement, it is anticipated that several types of obligations will be issued by the City in connection with the financing of the Project including:

A HUD Section 108 Loan (�HUD 108 Loan�) in the approximate amount of $50,000,000 to be paid primarily from PILOTS and other sales, utility, income and other local tax revenues generated by the Project. In addition, Block Grant Funds from HUD will be utilized as a source of payment on the 108 Loan in the first few years of the Project, which funds will be more than re-paid by the Project tax revenues over the 20 year life of the HUD 108 Loan. The HUD 108 Loan will be paid off in 20 years or less.

Issuance of Convention Center Leasehold Bonds, Series 2000 (�Series 2000 Bonds�) to be issued by the Industrial Development Authority in cooperation with the St. Louis Municipal Finance Corporation which will generate net proceeds when added to the net proceeds received by the City from the HUD 108 of not more than $80,695,000.

The amounts set forth above are estimates only. The City acknowledges that the net amount of the City�s participation will be $80,695,000 if no additional Empowerment Zone tax-exempt bonding authority is awarded to the Developer. The City may fund any shortfall in net proceeds from the HUD Section 108 loan or the issuance of the Series 2000 Bonds from other sources. The goal of the City is to maximize the amount of the HUD Section 108 Loan and the EATs TIF and to minimize the amount of other sources necessary to deliver up to $80,695,000 of net proceeds to the Project.

Evidence of Commitments to Finance Project Costs

The Developer has obtained letters of intent from experienced and capable sources for the debt and equity participation in the Project, copies of which are included in Appendix 10. Moreover, the Developer has a Master Term Sheet (See attached �Intergovernmental Cooperation and Development Assistance Agreement� included in Appendix 10), executed by Mercantile Bank N.A., Mercantile Community Development Corporation, Bank of America Securities, L.L.C., Bank of America, MDFB, Housing Horizons, L.L.C., the City of St. Louis, BIT Corporation, The Greater St. Louis Labor Council, AFL-CIO, Missouri Department of Economic Development, Marriott International Capital Corporation, Renaissance Hotel Operating Company, The Clark Construction Group, Inc., Historic Restoration Incorporated, Washington Avenue Historic Developer, L.L.C., which outlines each entity�s financial participation in the

Project. The Board of the Greater St. Louis Empowerment Zone Corporation has authorized the issuance of up to $95,000,000 of Empowerment Zone Bonds to be used to finance a portion of the Project, and may authorize the issuance of an additional $12,000,000 of Empowerment Zone Bonds. In addition, Marriott has agreed to provide $10,000,000 in loan guarantee support. The Missouri Development Finance Board will be providing an additional $16,542,000 to the Project by issuance of MDFB bonds for construction of the garage, which will be paid from garage revenues over the life of the Project. A portion of the equity will come from investments made by Housing Horizons LLC and Mercantile Community Development Corporation in Federal and State historic tax credits as well as State Brownfield remediation tax credits for the restoration of historic buildings and the remediation of environmentally hazardous materials. The City has applied to HUD for a $50,000,000 Section 108 loan and a $2,000,000 EDI grant, which will be committed to the Project as described in Section 5. A above.

7. Most Recent Equalized Assessed Value

A summary of the current (1998) Equalized Assessed Values is listed below. These values are established by the Assessor of the City of St. Louis (�Assessor�). The properties owned by LCRA (Lennox, Gateway, and Mayfair lot) are exempt from property taxes

Estimated Equalized Assessed Value After Redevelopment

The City and the Developer have agreed to PILOT payments as set forth in the Intergovernmental Cooperation and Development Assistance Agreement (Section D. Real Estate TIF Bonds). The projected costs of construction (hard costs) are $90,675,000 for the Gateway, $12,492,000 for the Lennox, $11,285,000 for the Garage, and projected total Project costs of $242,160,000. The Assessor�s staff has estimated, however, that the actual valuation of the Project upon completion would be based upon �cost� but not actual cost, and would take into account the operating projections provided by the Developer. The estimated fair market value of the Project, as determined by the Assessor�s Staff, upon completion would be $111,500.00 per room or $120,534,500.00, resulting in an estimated assessed valuation after redevelopment of $38,570,080.

Acquisition

The Developer will acquire the real property on which the Project is to be constructed. All of the real property in the hotel area is owned by LCRA and will be sold to the Developer pursuant to the Redevelopment Agreement. The Developer has begun negotiations to acquire the privately owned properties in the Project Area and may require LCRA to use its power of eminent domain to acquire some or all of these parcels on behalf of the Developer, should negotiations be unsuccessful.

10. Relocation

Relocation of businesses will not be necessary within City Blocks 170, 171, and 272, as all of the property is currently unoccupied except for the parking lot owned and operated by LCRA. The original term of the operating lease for the parking lot with St. Louis Parking has expired and is currently operating on month-to-month extensions. The businesses operating in City Block 172 will receive relocation assistance in accordance with the City of St. Louis Relocation Policy. A copy of the policy is attached in Appendix 12. Also, eligible displaced businesses will be provided relocation assistance as prescribed by the Federal Uniform Relocation and Real Property Acquisition Policies Act (URA) as required for projects using Federal Funds.

VI. FINDINGS

Blight

The Project Area on the whole is a blighted area due to the existence of the blighting characteristics previously described in Section IV of this Redevelopment Plan.

Not Been Subject to Growth or Redevelopment by Private Enterprise

As discussed in Section IV of this Redevelopment Plan, the Project Area on the whole has not been subject to growth or redevelopment by private enterprise for many years. The Gateway Hotel has been unoccupied since 1986. The building, which stood on the parking lot adjacent to the hotel, was demolished at about the same time. The only redevelopment to occur within the Project Area has been the renovation and conversion of the Lennox Hotel to apartments in 1985. This project was deeply subsidized by various public investment programs. Despite the public assistance, the project was unsuccessful. Without the establishment of the Redevelopment Plan, the Project Area will continue to go undeveloped and the blighted conditions will remain.

Would Not be Developed �But For� the Adoption of TIF

The most recent process to select a developer for the proposed Convention Headquarters Hotel was initiated with a request for qualifications sent to over one hundred hotel operators, contractors, and developers. Each of the five respondents sent preliminary financing proposals, which included substantial public investment, including a TIF requiring use of PILOTS and EATS and state revenues. Prior proposals presented to LCRA or the City for redevelopment within the Project Area have included incentives available under the WARA plan, but have not come to fruition due to the inability to privately finance the Project costs not covered by the public investment incentives. The recent opportunity to include new State revenues in the TIF is essential to fill this gap and make the Project realistic. It is not anticipated that the Project Area would be redeveloped �but for� the availability of the TIF, including the allocation of new State revenues. Pursuant to the requirement for TIF plans adopted after January 1, 1998, the Developer has signed an affidavit attesting to the �but for� provision. This affidavit is attached in Appendix 13.

Conforms with the Comprehensive Plan of the City

This Redevelopment Plan complies with the 1993 Downtown St. Louis Strategic Plan which is consistent with the comprehensive plan for the City of St. Louis. The Convention Headquarters Hotel is a key element of the Mayor�s Downtown Development Action Plan, �Downtown Now!�

Estimated Dates of Completion and Retirement of Obligations

The current target dates presented by the Developer include a construction commencement date of June 2000, with a 24-month construction period. It is anticipated that the Lennox Suites Hotel will open in late 2001 and the Convention Hotel will open in the middle of 2002. The City obligations issued in conjunction with the implementation of this Redevelopment Plan will be retired 23 years from approval of the Project, or by 2023. It is anticipated that the redevelopment project, the redevelopment plan, and TIF plan will be adopted by the City of St. Louis simultaneously.

Plan for Relocation Assistance

Relocation of businesses will not be necessary within the hotel area, as all of the property is currently unoccupied, except for the parking lot owned and operated by LCRA. The original term of the operating lease for the parking lot with St. Louis Parking has expired and is currently operating on month-to-month extensions. The businesses operating in the Ballroom/Garage Area will receive relocation assistance in accordance with the City of St. Louis

Relocation Policy. A copy of the policy is attached in Appendix 12. Eligible displaced businesses in the Ballroom/Garage Area will be provided relocation assistance as prescribed by the Federal Uniform Relocation and Real Property Acquisition Policies Act (URA) as required for projects using Federal Funds.

Cost Benefit Analysis

Section 99.810(5) of the TIF Act requires a cost benefit analysis showing the economic impact of the plan on each taxing district, which is at least partially within the boundaries of the Project Area. The Developer has commissioned an economic impact analysis from Development Strategies for the Project attached hereto as Appendix 14. The St. Louis Development Corporation has commissioned a study from Peckham, Guyton, Albers and Viets. This analysis compares the impact on the City�s economy if the Project is not built, and if it is built pursuant to the Redevelopment Plan. The analysis includes a fiscal impact study on every affected political subdivision, and sufficient information from the developer for the commission to demonstrate that the proposed Project is financially feasible.

The reports show that if the Project is not built, the Project Area will continue to suffer from the same lack of development and continued deterioration that has occurred over the past several years. The impact on the economy of the failure to build this Project will be a decline in real tax revenues as the property values remain the same or decline. If the Project is not built, it is highly unlikely that the Project Area will produce any additional economic activity, as the Project Area consists of mostly vacant lots and buildings not fit for occupancy. Additionally, if the Project is not built, the substantial investment in the development and expansions of America�s Center made by the City, St. Louis County, and the State of Missouri may also decline in value. Without a Headquarters Hotel, the Center will continue to operate at a fraction of its capacity with a declining number of major national conventions selecting St. Louis and America�s Center as their meeting site.

If the Project is built, then each of the taxing districts will continue to receive all of the tax revenues currently received from the Project Area. Additionally, they will benefit from the additional property taxes and economic activity taxes which will be paid and not contributed to the TIF. The TIF Act allows for the collection of only 50% of the EATS for payment of project costs. The other 50% are distributed to the appropriate taxing authorities. Economic activity taxes also exist which are not applied to the TIF as provided in the TIF Act. The Hotel Room Tax (which benefits the convention and Visitors Commission, and The Regional Arts Commission), and The MetroLink portion of the local sales tax are both excluded from the TIF. The taxing districts will also receive a significant benefit from the personal property taxes, which will be paid on the furniture, fixtures, and equipment of the Project; these taxes are also excluded from the TIF. A detailed analysis of the benefits to the taxing districts is attached as Appendix 14.

Does Not Include Gambling Establishment

The Redevelopment Plan does not include a gambling establishment. Hotels and related retail uses and parking will be the only businesses operating in the Project Area.

Reports to DED

As required by the Statute, the City shall report to the Department of Economic Development by the last day of February each year, the name, phone number, and primary line of business of any business which locates within the Project Area.

Legislative History				
1ST READING	**REF TO COMM**	**COMMITTEE**	**COMM SUB**	**COMM AMEND**
02/18/00	**02/18/00**	**C&T**		
2ND READING	**FLOOR AMEND**	**FLOOR SUB**	**PERFECTN**	**PASSAGE**
03/17/00		**03/24/00**	**03/17/00**	**04/17/00**
ORDINANCE	**VETOED**		**VETO OVR**	
64931				