

CITY OF ST. LOUIS GENERAL FUND IMPACT

# DOWNTOWN ST. LOUIS

REVENUES GENERATED IN AND EXPENSES  
ATTRIBUTED TO DOWNTOWN

ST. LOUIS, MISSOURI

APRIL 2016

ST. LOUIS  
METROSCENES.COM  
© 2012 MATT ROBINSON

PREPARED FOR



**DEVELOPMENT STRATEGIES®**

guiding effective decisions in  
real estate, community, and economic development



April 27, 2016

Mr. Craig Heller  
Managing Director of Development  
Downtown STL, Inc.  
720 Olive Street, Suite 450  
St. Louis, Missouri 63101

RE: City of St. Louis Fiscal Impact of and on Downtown St. Louis

Dear Craig:

Development Strategies is pleased to provide you with the accompanying fiscal impact report on the scale of revenues generated for the St. Louis City general fund from Downtown St. Louis compared to benefits that Downtown receives from the expenditures from the general fund. The fiscal year 2014 general fund (latest available data) generated about \$440 million to support city services. Downtown St. Louis can claim direct responsibility for over one-fifth (21.8 percent) of those revenues, or approximately \$96 million.

On the other hand, Downtown directly benefited from a much lower 7.0 percent of spending from the general fund. In FY2014, the general fund expended \$468 million. Downtown's benefit is estimated at almost \$33 million, one-third of the amount it supplied in general fund revenues.

It is clear that Downtown needs an investment boost for its own sake as well as that of the entire city's tax base. Using our similar study prepared in 1992, Downtown contributed 27 percent of the City's general fund in 1991, compared to not quite 22 percent in FY2014. In recent years, however, Downtown has added population in the face of decreases elsewhere in the city, and numerous public and private projects are underway or planned. But sluggish expenditure support from City government may be hindering more robust economic investment. Without obvious public investments and services, property owners, developers, businesses, residents, and visitors are less likely to take the necessary risks that spawn economic prosperity Downtown and the resultant tax base that Downtown can represent, and has in the past, for the benefit of the entire city.

The report is based on the fiscal year 2014 collections and expenditures by City government as reported in the *Comprehensive Annual Financial Report*. The FY2015 report was not available for this study.

It has been both challenging and stimulating to evaluate this information and to prepare this important study. Our core business model is based on understanding the economics of city planning and development, but estimating direct benefits for a subarea of the city from expenditures by City government is fraught with challenges in assumptions, what-ifs, and unintended consequences. We offer thanks to many of the City's departments and staff members who helped us interpret information and who provided insights into how expenditure benefits might be estimated for Downtown itself. The conclusions herein, however, are entirely the opinions of Development Strategies and are not intended to represent official positions of City government or any of its departments and employees.

Sincerely yours,

Robert M. Lewis, FAICP, CEcD  
Principal

Jill Michelle Mead  
Planning Strategist and Mapping Analyst

## Contents

EXECUTIVE SUMMARY .....	1
SUMMARY REVENUE CONTRIBUTIONS .....	3
SUMMARY EXPENDITURE BENEFITS .....	3
INTRODUCTION & BACKGROUND .....	5
PROFILE OF DOWNTOWN SOCIO-ECONOMICS .....	8
DOWNTOWN'S GROWING ROLE AS A RESIDENTIAL NEIGHBORHOOD.....	8
DOWNTOWN RESIDENT CHARACTERISTICS .....	9
DOWNTOWN IS THE REGION'S LARGEST EMPLOYMENT CENTER .....	10
GENERAL FUND REVENUES FROM DOWNTOWN.....	13
PROPERTY TAXES .....	14
Types of Property Taxes.....	14
Real Estate Assessed Property Types Downtown .....	14
Downtown Assessed Values are High and Growing .....	16
Property Tax Collections from Downtown.....	17
EARNINGS TAXES.....	19
PAYROLL TAXES.....	20
SALES TAXES .....	21
GROSS RECEIPTS TAXES.....	21
FRANCHISE UTILITY TAXES .....	22
MOTOR VEHICLE TAXES.....	23
OTHER GENERAL FUND TAXES .....	23
NON-TAX GENERAL FUND REVENUES.....	24
SUMMARY: GENERAL FUND REVENUES .....	24
GENERAL FUND EXPENDITURES DIRECTLY BENEFITING DOWNTOWN.....	26
GENERAL GOVERNMENT EXPENDITURES .....	26
CONVENTION AND TOURISM EXPENDITURES.....	27
PARKS AND RECREATION EXPENDITURES.....	27
JUDICIAL SYSTEM EXPENDITURES .....	28
STREETS EXPENDITURES .....	30
PUBLIC SAFETY: FIRE EXPENDITURES.....	31
PUBLIC SAFETY: POLICE EXPENDITURES .....	31
PUBLIC SAFETY: OTHER EXPENDITURES .....	32
HEALTH AND WELFARE EXPENDITURES .....	32
PUBLIC SERVICES EXPENDITURES.....	33
DEBT SERVICES EXPENDITURES .....	33
SUMMARY: GENERAL FUND EXPENDITURES .....	34
EFFECTS OF FUTURE GROWTH SCENARIOS ON THE GENERAL FUND.....	35

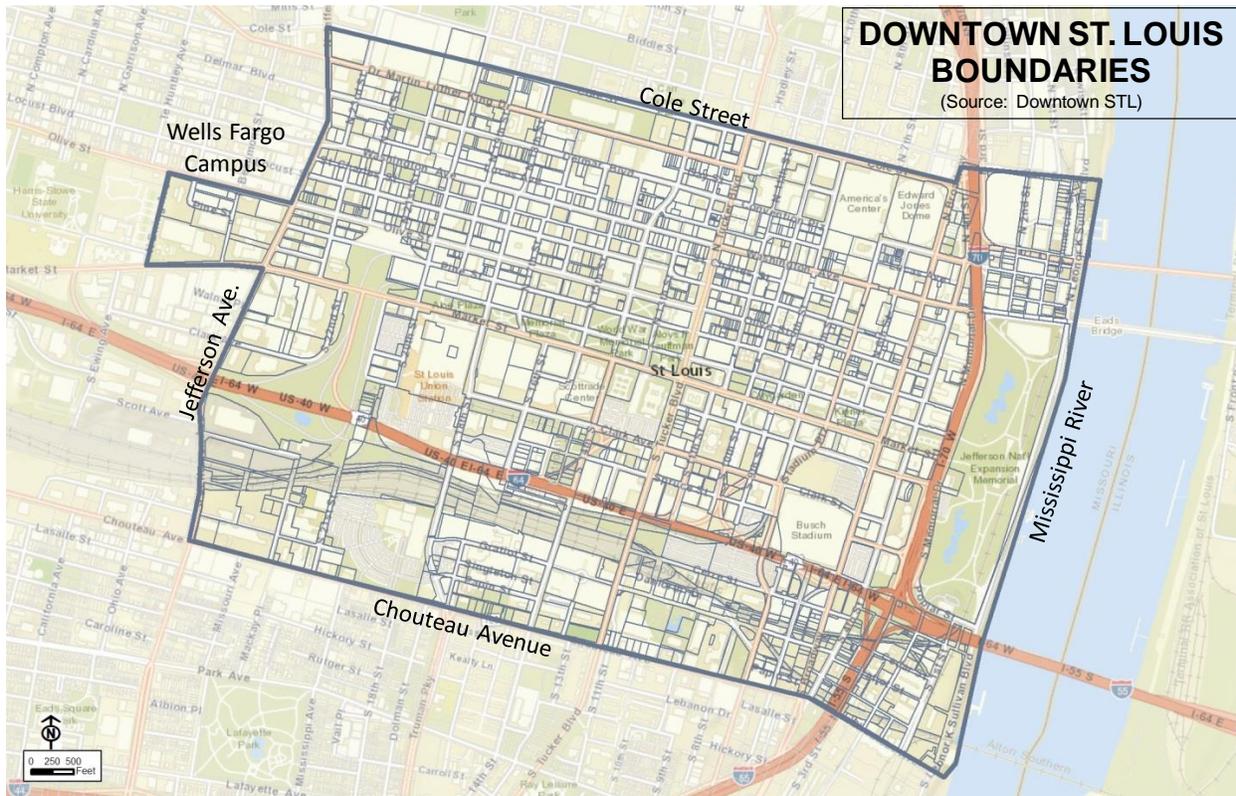
## EXECUTIVE SUMMARY

Downtown St. Louis was the beginning of St. Louis and remains the center of it all. St. Louis was founded in what is now Downtown, and Downtown endures as the single largest concentration of jobs in the metropolitan area. Almost three out of ten jobs (28.5 percent) in the city are located downtown. Downtown jobs make up 5.1 percent of the metropolitan area.

Downtown has the highest assessed valuation per square mile in the City of St. Louis. It has experienced population growth since the year 2000 despite population decline throughout the rest of the

city. Household and per capita incomes are higher Downtown than the averages for the rest of the city. People employed in Downtown have higher earnings, on average, than the rest of the city.

Downtown covers 2.2 square miles between the Mississippi River, Jefferson Avenue, Cole Street, and Chouteau Avenue (plus the Wells Fargo campus just west of Jefferson). This is 3.5 percent of the city's land area, yet Downtown generated over one-fifth (21.8 percent) of City government's general fund revenues in fiscal year 2014.



Downtown generates over one-fifth (21.3 percent) of all property taxes paid to the City's general fund. And one-third (33.9 percent) of all payroll taxes paid to the general fund. Restaurants and retail stores Downtown contribute over a fifth (21.9 percent) of sales taxes to the general fund.

A fifth (21.3 percent) of all franchise utility tax collections in the city come from Downtown.

The general fund of the City's budget is where most taxes are paid. At \$440 million in revenue for FY2014, the general fund accounted for 43

percent of the City's entire budget, which also consists of a number of debt service/capital improvement funds and several "business enterprise" funds such as Lambert Airport and the Water Department. This study focused only on the general fund which pays for the most obvious services of City government such as police and fire protection, parks and recreation, street maintenance, and the judicial system.

Unfortunately, Downtown's share of general fund revenues was well below estimates made in 1992 for fiscal years 1981, 1986, and 1991. In 1991, Downtown generated 27 percent of the City's general fund revenues. Today, it's not quite 22 percent. Socio-economic changes throughout the city and the Great Recession reduced both overall City revenues and Downtown's share. In some ways, this is a good sign. Other parts of the City, most notably Mid-Town and the Central West End, are experiencing economic and tax base growth at a strong pace. Downtown has been more sluggish, though it retains its leadership position.

There is ample capacity for more Downtown growth and, as a result, expanded fiscal resources for City services generated by Downtown.

- A few million square feet of office space are vacant or underutilized, but ready for attracting occupants.
- Ballpark Village has recently initiated plans for build-out of its full development plan.
- Laclede's Landing and Chouteau's Landing are ripe for continued reinvestment.
- The north riverfront now has a remarkable development plan even without a stadium.
- America's Center can attract larger conventions now that football demands have been eliminated.
- The Mercantile Exchange (MX) has transformed the former St. Louis Center area and opened the National Blues Museum in 2016.
- Washington Avenue Loft District still has many buildings awaiting re-occupancy.
- The Arcade Building just re-opened and other Downtown buildings are under renovation.
- Union Station is under a major make-over.
- The Gateway Arch Grounds, including Kiener (to be Old Courthouse) Plaza will transform both local and visitor attitudes about Downtown.

All of these efforts and opportunities have a key factor in common: They count on high quality public services and investments. Yet, even though Downtown provides almost 22 percent of general fund revenues, it benefits from only seven percent of general fund expenditures. The largest share is estimated to come from public safety expenditures for fire and police protection, yet even these represent just 6.7 percent and 8.1 percent of their respective spending citywide.

The graphs on the following two pages compare major sources of general fund revenues and expenditures generated by and directed to Downtown St. Louis. While there is no correlation between the tax collections and how they are geographically distributed by major service,<sup>1</sup> it is clear that Downtown is a crucial supplier of tax revenues benefiting the entire city. More public investment in Downtown to support more private investment will only improve this vital relationship.

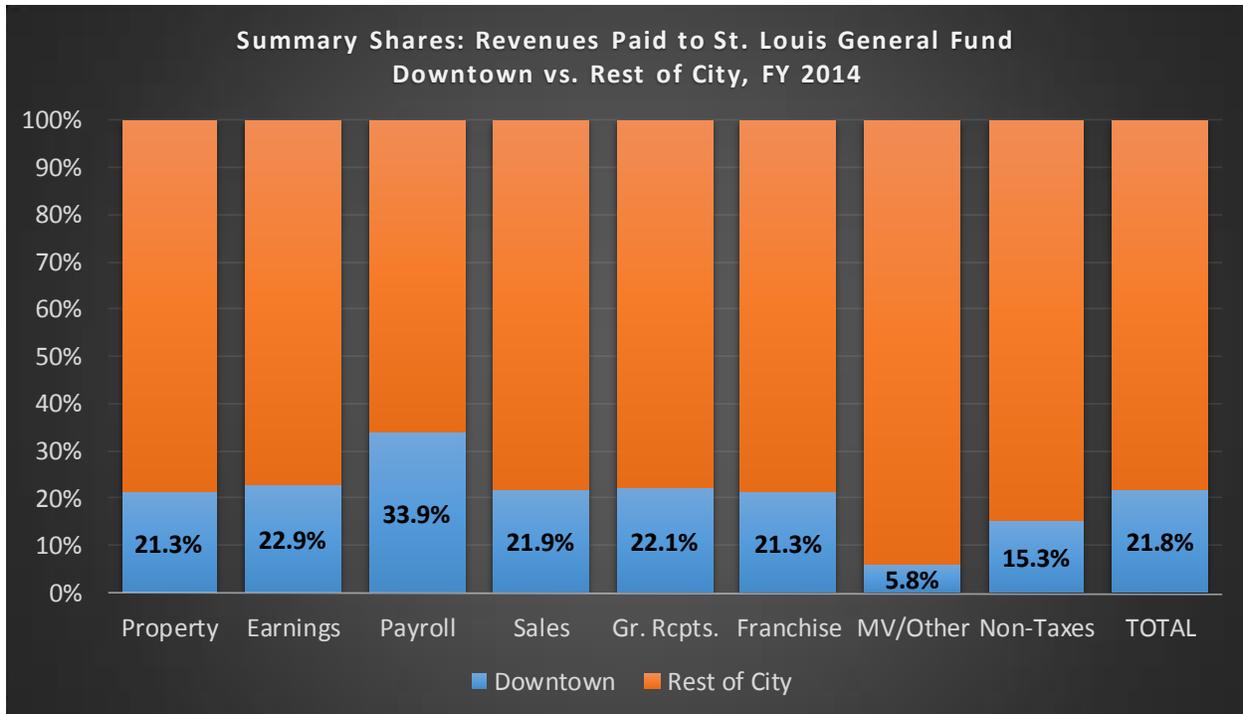
---

<sup>1</sup> General funds, by definition, are "fungible" based on the needs of the city as evaluated annually by the Board of Alderman, the Comptroller, and the Mayor.

### SUMMARY REVENUE CONTRIBUTIONS

In total, Downtown St. Louis is estimated to have contributed almost \$95.8 million of the \$440.2 million general fund revenues in fiscal year 2014. Downtown’s share, therefore, was 21.8 percent of the general fund with contributions ranging from

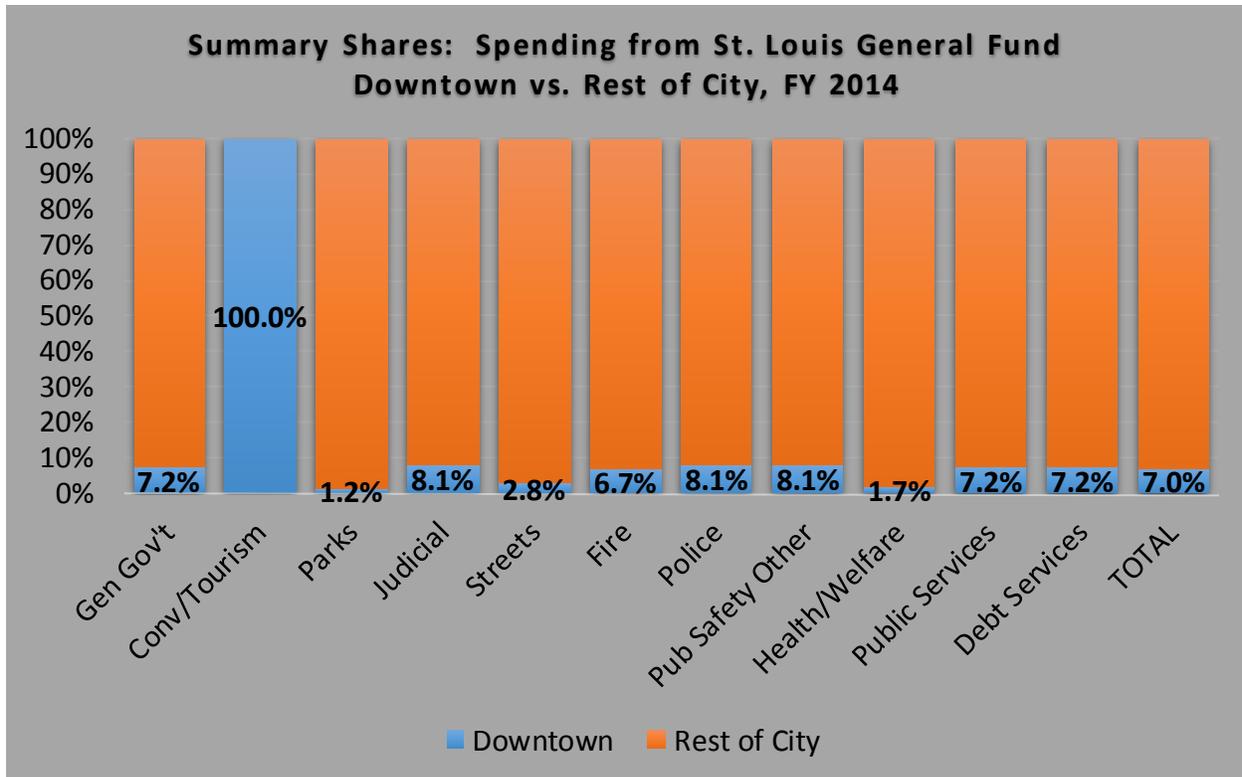
a low of 2.8 percent from motor vehicle taxes to a high of 33.9 percent from payroll taxes. Downtown’s single largest dollar contribution of \$35.5 million came from earning taxes, or 22.9 percent of all earnings taxes. The smallest contribution came from motor vehicle taxes of just \$79,000.



### SUMMARY EXPENDITURE BENEFITS

On the expenditure side, Downtown St. Louis is estimated to have benefited from almost \$32.8 million of the \$467.7 million general fund expenditures in fiscal year 2014. Downtown’s share, therefore, was 7.0 percent of the general fund with benefits ranging from a low of 1.7 percent for

health and welfare spending to a high of 100 percent for convention and tourism spending, though this small amount of \$119,000 was devoted entirely to support of the Soldiers Memorial. Downtown’s single largest dollar benefit of \$12.0 million was from police services Downtown receiving an estimated 8.1 percent of benefits from police spending.



### EFFECTS OF FUTURE GROWTH SCENARIOS

No projections of future development, growth, or taxes are offered in this report. Instead, four reasonable growth scenarios are presented along with likely general fund and Downtown tax implications.

#### Present Conditions

City population is 317,400 and Downtown population is 8,810. City employment is 276,750 and Downtown employment is 81,900.

*Ratio of Downtown's share of revenues to its share of expenditures is 3.11.* That is, Downtown generates more than three times the revenue it receives in return.

#### Scenario 1: High Growth

Population in the City increases to 400,000 and Downtown to 30,000. City jobs increase to 325,000 and Downtown grows to 110,000. Ratio of Downtown's share of revenues to its share of expenditures improves to 2.44 (more balanced).

#### Scenario 2: Intermediate Growth

City population increases to 350,000 and Downtown grows to 25,000. City jobs increase to 300,000 and Downtown grows to 100,000. Ratio of Downtown's share of revenues to its share of expenditures improves to 2.45.

#### Scenario 3: Sluggish Growth

City population increases to 325,000 and Downtown grows to 20,000. City jobs increase to 285,000 and Downtown grows to 90,000. Ratio of Downtown's share of revenues to its share of expenditures improves to 2.52.

#### Scenario 4: Citywide Decreases

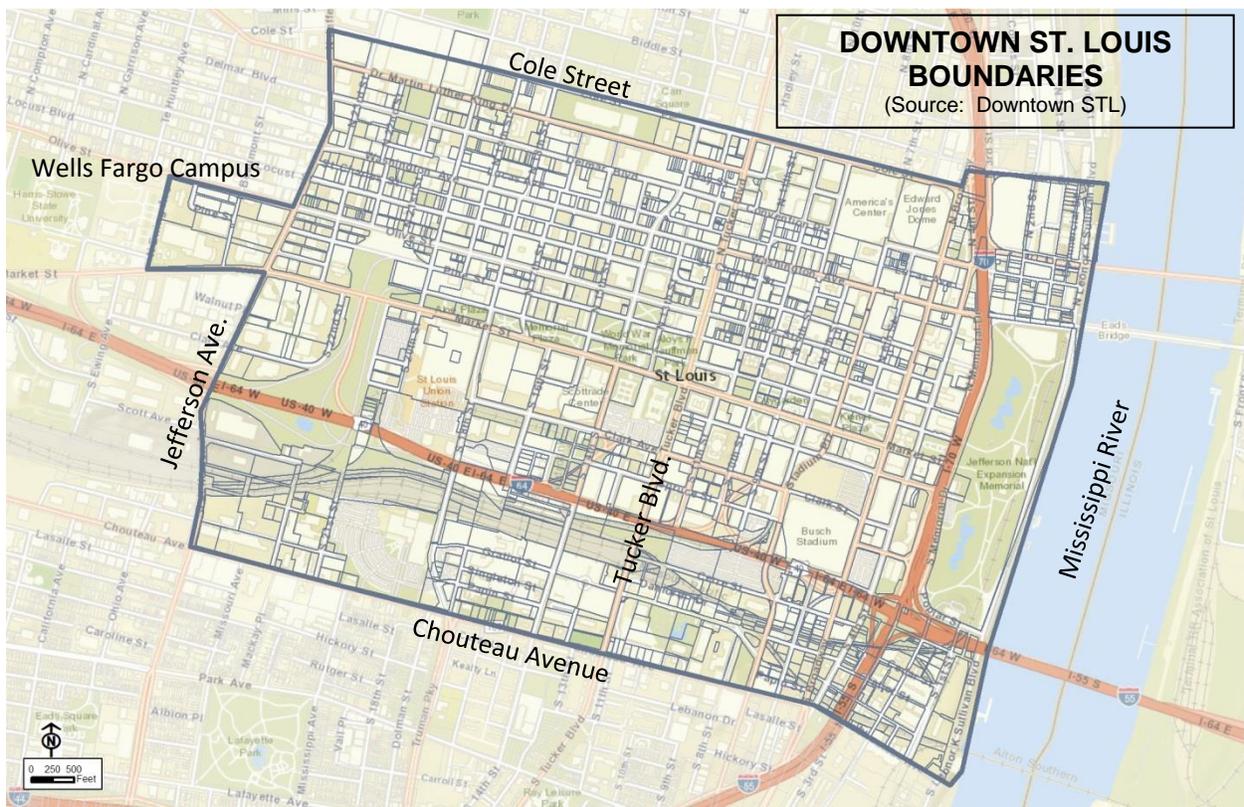
City population decreases to 300,000 but Downtown grows to 15,000. City jobs decrease to 265,000 and Downtown decreases to 80,000. Ratio of Downtown's share of revenues to its share of expenditures improves slightly to 3.06.

## INTRODUCTION & BACKGROUND

Downtown St. Louis has the largest single concentration of jobs in the bi-state St. Louis metropolitan area. It has the largest concentration of office space. All four two-digit interstate highways in the region converge Downtown and only Downtown. Downtown is the first destination of most visitors to metro St. Louis. It is the setting for the world-renowned Gateway Arch and America’s Center convention facilities. Three major professional sports stadia are located Downtown.

It is also the source for over a fifth of tax revenues generated for the City of St. Louis.

The map below shows the Downtown study area as analyzed in this report. Generally speaking, the boundaries are the Mississippi River on the east, Cole Street on the north, Jefferson Avenue on the west plus the Wells Fargo campus, and Chouteau Avenue on the south.



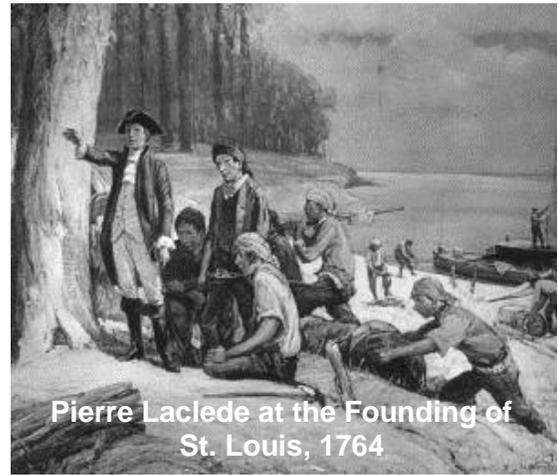
This area encompasses two official city neighborhoods—Downtown (river to Tucker Blvd.) and Downtown West (Tucker Blvd. to Jefferson Ave.)—as well as the blocks that make up the Wells Fargo campus west of Jefferson. The downtown study area covers 2.2 square miles, or 3.5 percent of the 62 square miles making up St. Louis City.

Downtown is where it all started. Pierre Laclede and Auguste Chouteau founded the new St. Louis in 1764, an event and location recognized today by Laclede’s Landing north of the Arch Grounds and Chouteau’s



Landing to the south. With about 600,000 residents around the time of the 1904 World's Fair, the City grew to the fourth largest in the United States.

It continued growing to about 850,000 residents in the immediate aftermath of World War II (with many observers concluding that the city was plainly too crowded!) but has lost population since then to about 317,000 today (with many observers concluding that today's St. Louis is too underpopulated). Meanwhile, the St. Louis metropolitan area continues to expand. With 2.8 million metropolitan residents, metro St. Louis is now the 19<sup>th</sup> most populated of 381 formally defined metro areas in the U.S.



Through all of those changes, Downtown has grown, evolved, expanded, shrunk, and discovered new uses for its remarkable buildings. Downtown's early purpose as a center of commerce, civic life, and even manufacturing has evolved to a mix of public and private enterprises, tourism, spectator sports, and, increasingly, housing. It also has ample room for more growth, whether filling vacant or underutilized buildings or adding more structures on underutilized land.

This report estimates the fiscal impact of Downtown in the context of the City government's *general fund*. In fiscal year 2014 (the basis for this report), the general fund generated \$440.2 million in revenues while expending \$467.7 million. City government's *total* revenues in FY2014 were much higher at \$1,017.5 million while expenditures were \$1,068.1 million. The primary difference of more than a half billion dollars between the total budget and the general fund budget is explained by the City's several "business enterprises" such as the Water Division and Lambert-St. Louis International Airport which are intended to be self-supporting through their own revenue sources.

But the general fund, representing some 43 percent of all City government revenues, is the focus of this report. While businesses and residents of Downtown also pay water bills and fly airplanes from Lambert, the general fund is the source of the vast majority of "taxes" in the city as compared to other major revenues items like user fees, fines, and similar kinds of direct charges.

Among the findings is that, in FY2014 (which ended on June 30<sup>th</sup> of 2014), Downtown St. Louis property owners, businesses, workers, residents, and visitors generated 23.2 percent of the general fund's tax revenues and 15.3 percent of the general fund's non-tax revenues, such as licenses, permits, and various other direct charges. Taxes made up 81.9 percent of all general fund revenues but 87.3 percent of those generated Downtown. Overall, Downtown contributed 21.8 percent of revenues to the general fund.

On the other hand, Downtown directly benefited from just 7.0 percent of the City's expenditures from the general fund. These include expenses for general government administration, public safety, streets, parks and recreation, and health and welfare.

A similar study conducted by Development Strategies in 1992<sup>2</sup> documented that Downtown contributed 27 percent of all general fund revenues in fiscal year 1991, which continued a growth pattern from 20 percent in FY1981 and 23 percent in FY1986. A projection to FY2000 showed that Downtown could contribute as much as 33 percent of the City's general fund if economic growth patterns in the Downtown had continued. This included an assumption that Downtown building occupancy would increase from 67 percent in 1991 to 80 percent in 2000, and that Downtown employment would increase from 85,400 in 1981 to 92,400 in 1991.

Clearly, those patterns did not continue, as partly shown by the drop in Downtown's share of the general fund's revenues to not quite 22 percent in FY2014. This report does not address reasons for that shift, though sluggish regional economic growth, continued outmigration of residents and employed workers from the city, and economic growth elsewhere in the city (e.g., Midtown and the Central West End) certainly have contributed to Downtown's share of the general fund to decrease. Moreover, the estimate of Downtown employment dropped to 81,900 in 2014, less than in 1981.

---

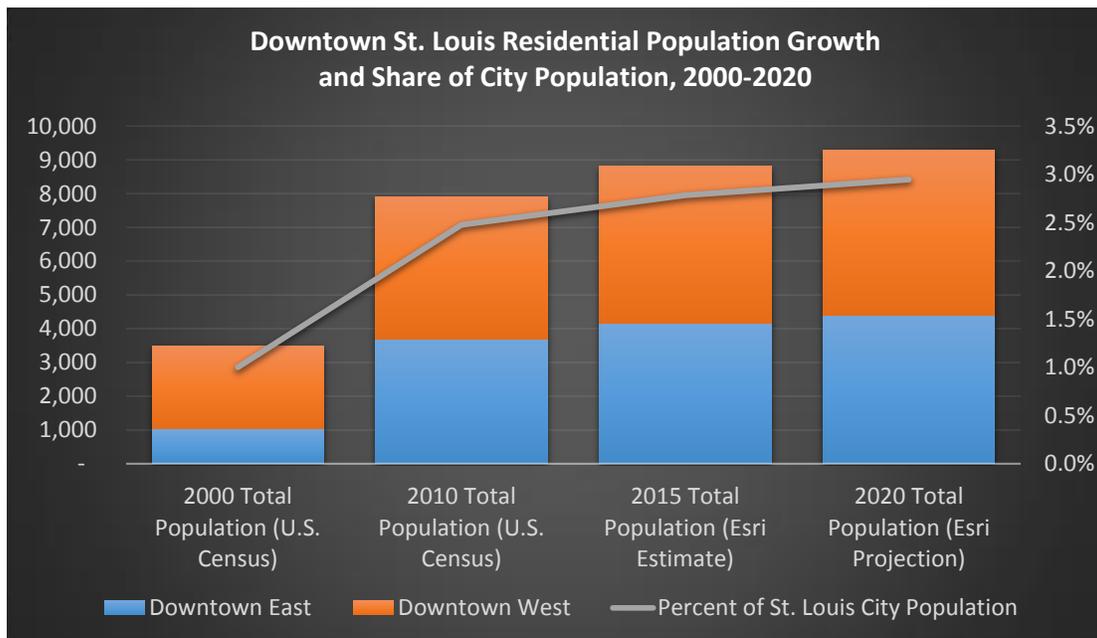
<sup>2</sup> *Taxation in the City of St. Louis and Downtown St. Louis* prepared for Downtown St. Louis, Inc. by Development Strategies (March 1992).

## PROFILE OF DOWNTOWN SOCIO-ECONOMICS

### DOWNTOWN’S GROWING ROLE AS A RESIDENTIAL NEIGHBORHOOD

Though Downtown has not traditionally occupied a role as a significant residential neighborhood<sup>3</sup> in the past century, its importance as a population center has been growing steadily since 2000. Downtown added nearly 3,500 residents between 2000 and 2015, increasing in population by 153 percent to 8,814 residents. This growth rate compares very favorably to the rest of St. Louis where population *decreased* by 36,811, or 10.7 percent, during the same time period. From 2000 to 2015, the number of residents living Downtown grew from one percent of the total city population to nearly three percent.<sup>4</sup>

In 2015, the population density of downtown was 3,952 residents per square mile,<sup>5</sup> compared to 5,157 residents per square mile citywide. Residential growth has been driven by the addition of new housing units within converted commercial buildings and supported by an increase in the number of downtown amenities. In the near term, a number of upcoming developments (the Arcade Building—which re-opened in December 2105—the Alverne, Station Plaza, and 720 Olive) will add approximately 560 housing units, which will in turn further increase Downtown’s population.



<sup>3</sup> “Downtown” is considered here as a single neighborhood encompassing the full study area when, in fact, it consists of two separately defined neighborhoods in the city: Downtown (east of Tucker Boulevard) and Downtown West (to Jefferson Avenue), plus the Wells Fargo campus.

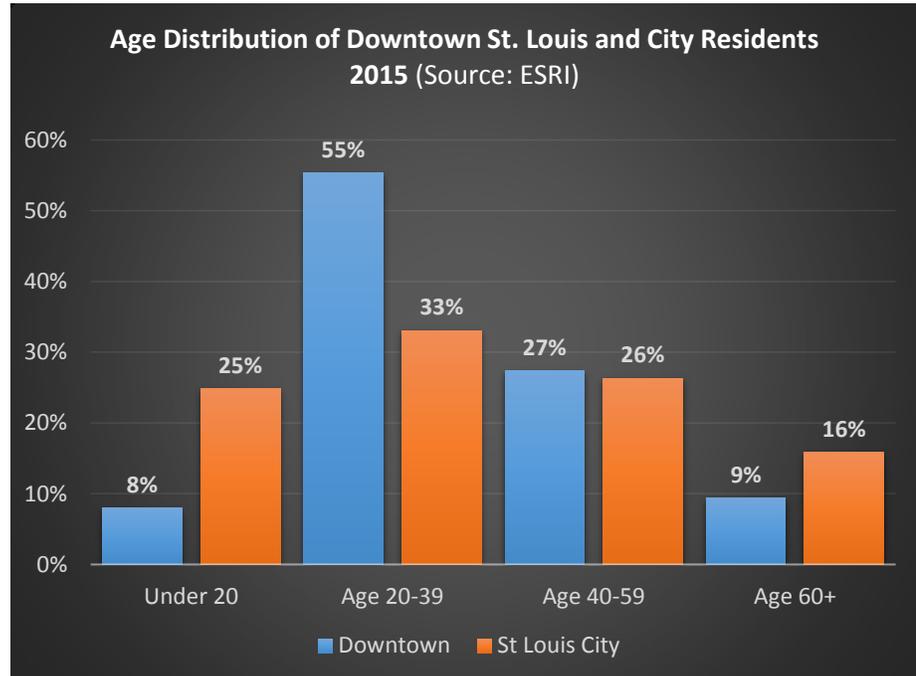
<sup>4</sup> ESRI Business Analyst (2015). 2000 total population (U.S. Census), 2015 and 2020 Population (ESRI).

<sup>5</sup> Again, this excludes residents and housing immediately adjacent to Downtown, such as immediately north of Cole Street and immediately south of Chouteau Avenue.

## DOWNTOWN RESIDENT CHARACTERISTICS

Downtown residents differ from the St. Louis City average in a few key ways. Downtown residents are more likely to live in smaller households. The average downtown household has 1.38 residents compared to 2.16 residents per household in the rest of the city. Downtown has more than 1½ times the percentage of single-occupant households—68 percent compared to an average of 42 percent in the rest of the city.<sup>6</sup>

Downtown is also home to a notably higher share of residents between the ages of 20 and 39. Residents in this age group make up one-third of the population of the rest of the city, but over half (55 percent) of Downtown. Residents ages 25-29 are the largest group at 22 percent of the Downtown population, compared to ten percent elsewhere in the city. As a



result of this relatively young population, a slightly higher proportion of Downtown households (twelve percent) live with non-family members, such as roommates or partners, compared to ten percent in the city. Additionally, 87 percent of downtown residents are unmarried, compared with 76 percent of the population in the rest of the city.

Residents who live downtown also have higher earnings on average than residents elsewhere in the city. Though median household income is similar (\$38,000 Downtown compared to \$35,000 in the city), per capita income is much greater Downtown (\$36,000 compared to \$22,000 in the city) as a result of smaller households and fewer dependents. Downtown residents are also more likely to have completed college, with 55 percent holding bachelor’s, graduate, or professional degrees compared to 30 percent elsewhere in the city.

As the number of Downtown residents has grown, so has the number of residents who also work downtown. Comparing Downtown to the Central West End, designated a “Great Neighborhood” by the American Plan-

<sup>6</sup> ESRI Business Analyst. (2015). Based on 2010 Census.

ning Association in 2014, there are several similarities.<sup>7</sup> Each neighborhood covers around two square miles, though the population density in the CWE is almost 20 percent higher. Neither, however, is as dense with residents as the city as a whole, even considering the large amount of vacant and underutilized land throughout the city. This is largely due to

the large amount of non-residential activity in both neighborhoods

In 2013, 26.1 percent of workers living Downtown also worked Downtown, while the percentage in the Central West End was 21.2 percent. The use of alternative transportation modes for com-

	Downtown	Central West End	City Average
Size	2.2 mi <sup>2</sup>	1.9 mi <sup>2</sup>	
Residents / mi <sup>2</sup>	3,952	4,639	5,157
Total employed residents	4,015	5,681	
Work in neighborhood	1,046	1,202	
Percentage	26.1%	21.2%	
Commute mode			
Walk	16%	18%	3%
Bicycle	0.8%	3%	0.7%
MetroLink	1.5%	1.4%	0.6%
MetroBus	6%	5%	9%

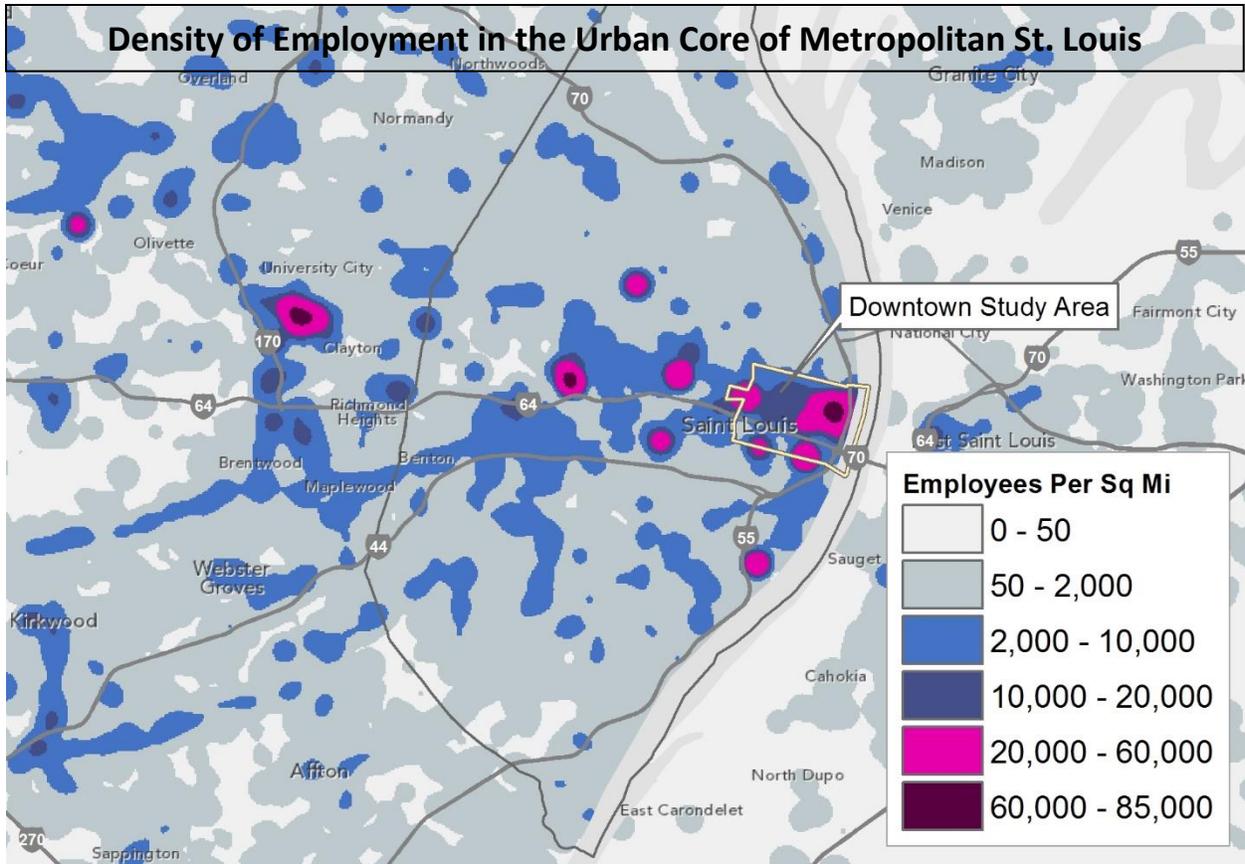
muting was also very high in both neighborhoods. Compared to the St. Louis City average of three percent, 16 percent of Downtown workers and 18 percent of Central West End workers walked to work. Rates of bicycling and transit use were also higher in these two neighborhoods than in the rest of the city. As a neighborhood where residents can access job opportunities and amenities on foot and by transit, Downtown fulfills many of the objectives of St. Louis’ Sustainability Plan (2013), which calls for the creation of “healthy, compact, transit-served, smart neighborhoods.” As one of the leading “live, work, and play” neighborhoods in the city and the region, Downtown is in a distinctive position to advance the city’s sustainability goals.

**DOWNTOWN IS THE REGION’S LARGEST EMPLOYMENT CENTER**

Downtown St. Louis has a higher concentration of employment than any other location within the bi-state St. Louis metropolitan area. Over 80,000 employees work downtown, which represents just over one in every three jobs held in the City of St. Louis in 2013. Of these, nearly 76,000 are primary jobs and nearly 6,000 are secondary jobs, such as seasonal employment at downtown venues. The number of jobs downtown has vacillated with the broader economy, with a decade-low of 70,971 jobs in 2008. The 81,858 jobs reported in 2013 represents a decade-high and results in considerable daytime population growth. That is, Downtown is more populated during the day than at night, unlike most residential neighborhoods.

---

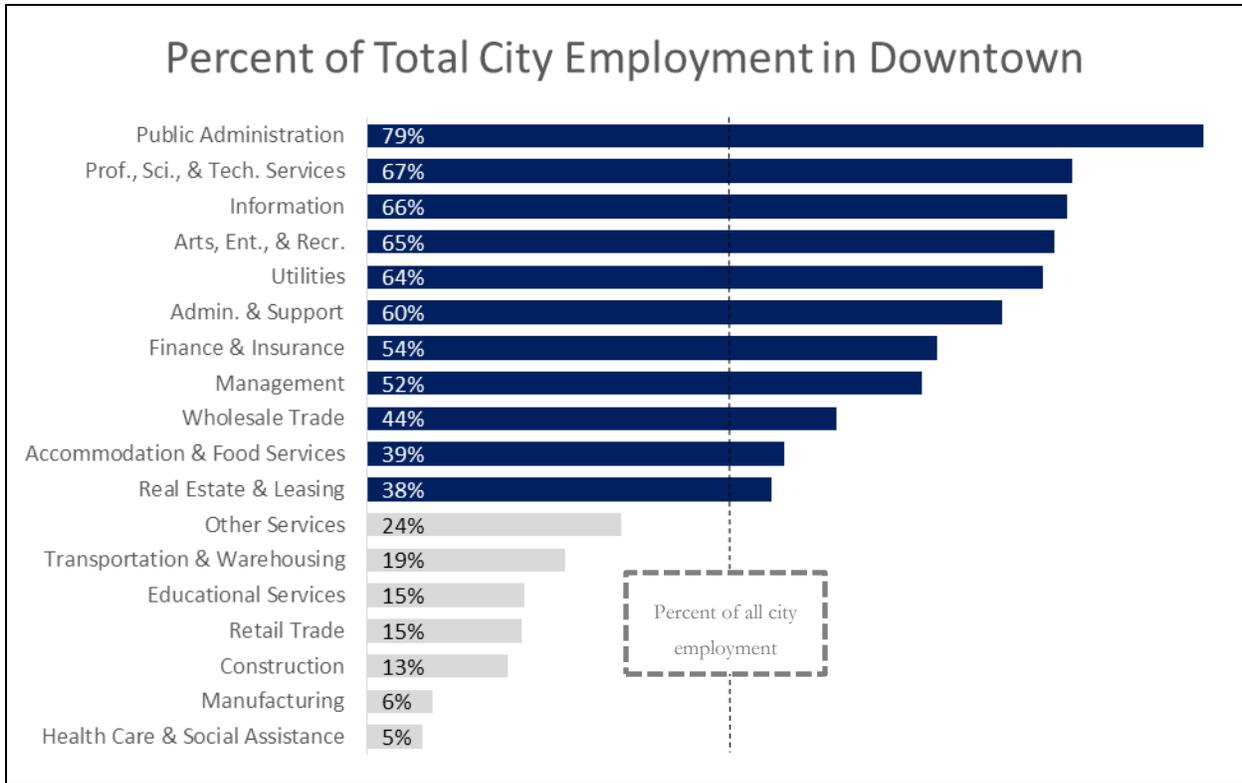
<sup>7</sup> Washington Avenue was likewise declared a “Great Street” in 2011, but the statistics here apply to the wider Downtown study area.



Similar to Downtown residents, people working Downtown, regardless of their home location, are more likely than the city average to earn more than \$40,000 per year (48% of Downtown workers compared to 41% citywide) and to have at least a bachelor’s degree (26% compared to 21% citywide).

The graph below shows the proportion of workers by economic sector compared to the city average. While 35 percent of the city’s jobs are located Downtown, the proportions of jobs by economic sector are sometimes much higher. For example, nearly four out of five public administration jobs in the city are located Downtown, as well as about two out of every three jobs in the professional, scientific, and technical services sector. Other important Downtown sectors include information, arts and entertainment, finance and insurance, management of enterprises, and accommodation and food services.

This concentration of employees, especially higher skilled employees, makes Downtown the most diversified employment center in the region, as well as its most dense and populated neighborhood during working hours.



## GENERAL FUND REVENUES FROM DOWNTOWN

There are eight “tax categories” in the general fund of the City of St. Louis as published its Comprehensive Annual Financial Reports (or CAFR).<sup>8</sup> Table 1, below, utilizes the CAFR for fiscal year 2014, the latest available. Tax revenues totaled \$360.7 million for the general fund in FY2014, or about 81.9 percent of all general fund income. The remaining general fund revenues were derived from non-tax sources as shown at the bottom of the table. This section of the report describes each of revenue sources and the methodology to estimate how much revenue was generated within and from Downtown St. Louis. Revenue sources are presented in the order they appear in the FY2014 CAFR.

TABLE 1: General Fund Revenues, Fiscal Year 2014					
City of St. Louis and Downtown					
Source: St. Louis Comprehensive Annual Financial Report 2014					
Tax Sources for the General Fund	Downtown	Rest of City	Total City	Percent from Downtown	Notes
Real Property	\$ 8,693,000	\$ 32,075,000	\$ 40,768,000	21.3%	Based on assessed valuation and tax rates. Residual from real property taxes.
Personal Property	3,336,000	12,310,000	15,646,000	21.3%	
Subtotal Property	\$ 12,029,000	\$ 44,385,000	\$ 56,414,000	21.3%	
Earnings-workers employed in the city	\$ 30,965,000	\$ 73,671,000	\$ 104,636,000	29.6%	Based on earnings of people employed in St. Louis City.
Earnings - Residents who work outside the city	1,916,000	40,258,000	42,174,000	4.5%	Based on employed residents of the City less those who also work in the City.
Earnings - Corporate	2,574,000	5,153,000	7,727,000	33.3%	Assumes 5% of total earnings taxes are corporate earning taxes. 33.3% of all private jobs in the City are located downtown based on 2013 Census data. Only private firms pay the corporate earnings tax.
Subtotal Earnings	\$ 35,455,000	\$ 119,082,000	\$ 154,537,000	22.9%	
Payroll	12,047,000	23,506,000	35,553,000	33.9%	0.5% of gross employee earnings, paid by taxable employers; This is equivalent to 34% of earnings taxes paid by people employed in the City.
Sales	10,841,000	38,765,000	49,606,000	21.9%	Downtown estimate based on retail and restaurant floor area plus hotels.
Gross Receipts	1,730,000	6,081,000	7,811,000	22.1%	Based primarily on restaurant sales since restaurants generate the most gross receipts taxes.
Franchise Utility	11,304,000	41,713,000	53,017,000	21.3%	Based on assessed valuation as proxy for floor area and utility usage.
Motor Vehicle	79,000	2,759,000	2,838,000	2.8%	Downtown based on share of city's population.
Other	141,000	785,000	926,000	15.3%	Based combined share of population and employment.
<b>SUBTOTAL General Fund - Taxes Only</b>	<b>\$ 83,626,000</b>	<b>\$ 277,076,000</b>	<b>\$ 360,702,000</b>	<b>23.2%</b>	
Non-Tax Sources for the General Fund	Downtown	Rest of City	Total City	Percent from Downtown	Notes
Licenses & Permits	\$ 2,906,000	\$ 16,129,000	\$ 19,035,000	15.3%	Based combined share of population and employment.
Intergovernmental	2,382,000	13,223,000	15,605,000	15.3%	
Charges for Services	5,014,000	27,828,000	32,842,000	15.3%	
Court Fines	1,326,000	7,362,000	8,688,000	15.3%	
Interest	3,000	17,000	20,000	15.3%	
Miscellaneous	498,000	2,765,000	3,263,000	15.3%	
<b>SUBTOTAL General Fund - Non-Taxes</b>	<b>\$ 12,129,000</b>	<b>\$ 67,324,000</b>	<b>\$ 79,453,000</b>	<b>15.3%</b>	
<b>TOTAL: GENERAL FUND REVENUES</b>	<b>\$ 95,755,000</b>	<b>\$ 344,400,000</b>	<b>\$ 440,155,000</b>	<b>21.8%</b>	

<sup>8</sup> Published by the Office of the Comptroller in accordance with guidelines used for CAFRs across the United States.



## **PROPERTY TAXES**

### **Types of Property Taxes**

There are two types of property taxes: real estate and personal. Real estate taxes are levied on non-exempt land and improvements (i.e., structures and other facilities). Exempt property owners include, for example, government and churches, but other not-for-profit real estate owners are exempt also. In essence, private, for-profit real estate owners are subject to the real estate property tax even if their tenants might include non-profits.

Personal property taxes are levied primarily against automotive and related vehicles of both businesses and residents, but also include much equipment used in the operations of businesses—machinery, furniture, and the like.

All property taxes in Missouri are based on the market value of the property, as determined by the property tax assessor's office. Property tax rates are applied to the "assessed valuation" of the property which is a percentage of the market value. For residential property, the assessed valuation is calculated as 19 percent of market value. For commercial property, it is 32 percent of market value.<sup>9</sup> For personal property, both residential and business, the assessment rate is 33 percent of market value.

### **Real Estate Assessed Property Types Downtown**

Table 2 shows the number of land parcels Downtown and in the rest of the city in three categories:

- Tax-exempt parcels not subject to taxation, such as churches and government properties,
- Residential parcels, and
- Non-residential parcels.<sup>10</sup>

The proportion of parcels dedicated to tax-exempt uses is much higher Downtown than elsewhere in the city. Just over a third (33.8 percent) of Downtown parcels are tax-exempt compared to 14.4 percent in the rest of the city. A very small proportion (5.4 percent) of Downtown parcels are dedicated to residential uses, compared to 78.0 percent of parcels in the rest of the city. Six out of ten Downtown parcels are predominately non-residential at 60.8 compared to 7.6 percent elsewhere in the city. This gives Downtown real estate a very different profile than almost all of the city's other neighborhoods.

---

<sup>9</sup> There is a third assessment category for agricultural real estate, which is assessed at 12 percent of market value. This category is ignored in this Downtown study because there is no agricultural real estate in the Downtown.

<sup>10</sup> Actually, some parcels are mixes of residential and non-residential. The numbers on the table indicate parcels the first listed use in the Assessor's database.

Table 2: Count of Real Estate Parcels by Property Tax Classification, 2015 Downtown and the Rest of St. Louis City			
	Downtown Study Area	Rest of St. Louis City	Total
Tax-Exempt Parcels	480 (33.8%)	18,382 (14.4%)	18,862 (14.6%)
Residential Parcels	76 (5.4%)	99,391 (78.0%)	99,467 (77.2%)
Non-Residential Parcels	864 (60.8%)	9,638 (7.6%)	10,502 (8.2%)
Total	1,420 (100%)	127,411 (100%)	128,831 (100%)

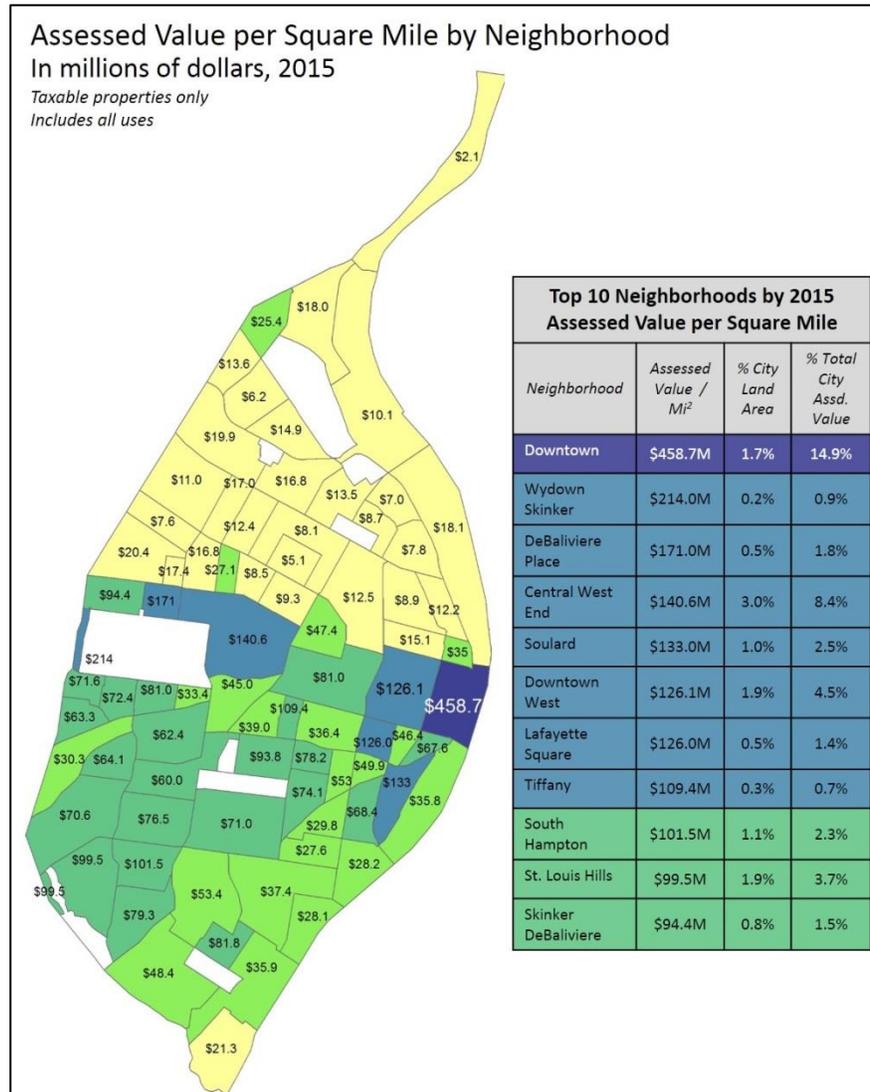
Using the city’s geocoded tax records database, the proportion of real estate property tax assessed values within the study area was calculated. Table 3 shows the total and proportion of taxable assessed values for properties Downtown and in the rest of the city. Downtown’s residential parcels contribute 4.7 percent of the total amount collected by the city from residential properties, which is a higher share than the city’s population that lives downtown (2.8 percent). For non-residential parcels, 41.8 percent of the total amount collected by the City originates Downtown. Overall, 21.3 percent of city property taxes come from parcels located within the Downtown study area boundaries. This is equivalent to \$12,029,000 for FY2014.

Table 3: Property Tax Assessed Values by Property Tax Classification, 2014 Downtown and the Rest of St. Louis City			
	Downtown Study Area	Rest of St. Louis City	Total
Residential Parcels (19% of appraised market value)	\$79,574,000 (4.7%)	\$1,615,588,000 (95.3%)	\$1,695,162,000 (100%)
Non-Residential Parcels (32% of appraised market value)	\$575,379,000 (41.8%)	\$801,153,000 (58.2%)	\$1,376,532,000 (100%)
Total	\$654,953,000 (21.3%)	\$2,416,741,000 (78.7%)	\$3,071,694,000 (100%)

Sources: City of St. Louis Tax Assessor and GIS analysis by Development Strategies.

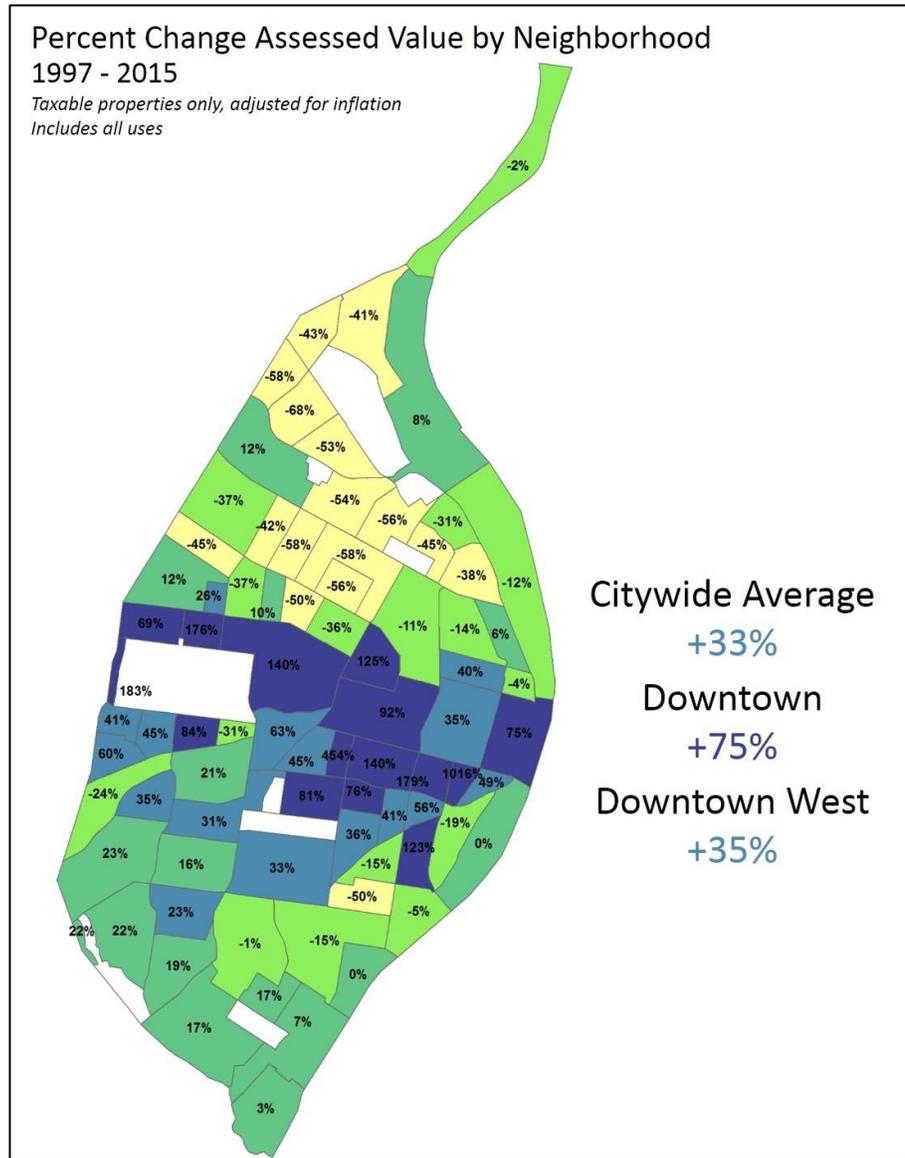
### Downtown Assessed Values are High and Growing

Two maps show the position of Downtown and Downtown West as they relate to other official city neighborhoods. The map to the right shows assessed value per square mile for taxable properties. By far, Downtown has the highest assessed value per square mile of all St. Louis neighborhoods at \$458.7 million. Downtown West has the 6th highest assessed value per square mile with \$126.1 million. Taken together, Downtown and Downtown West (which roughly correspond to the study area) would have the highest assessed value per square mile of any city neighborhood at \$282.8 million per square mile.<sup>11</sup>



<sup>11</sup> City of St. Louis. (2014). Parcels (Land Records) Layer. Downloaded November 2014.

The second map, to the right, shows the percent change in assessed value by neighborhood from 1997 to 2015. During this period, the assessed value of taxable property in the city increased by 33 percent, adjusting for inflation. During this same period, the assessed taxable property within Downtown and Downtown West increased by 63 percent—by 75 percent in Downtown and by 35 percent in Downtown West. Downtown and Downtown West have and will continue to be well-positioned to capitalize on the growth caused by reinvestment and revitalization throughout the city’s “Central Corridor.” Growth in this corridor is visible on the map below right as the broad swath of central neighborhoods seeing the most dramatic increase in property values (purple).



**Property Tax Collections from Downtown**

Tax rates are typically expressed as dollars per \$100 of assessed valuation. In effect, tax rates are a percentage of the assessed valuations. For example, property assessed at \$1,000 using a tax rate of \$8.00 per \$100 assessed valuation would be liable for taxes of \$80.00, which is 8 percent of \$1,000.

The property taxes shown earlier on Table 1 reflect only those taxes that accrue to the general fund of City government. For FY2014, that tax rate was \$1.3272 per \$100 assessed valuation (or AV). The total tax rate for residents and businesses in the City of St. Louis, however, was \$7.5850 per \$100 AV. Most of that tax rate (58

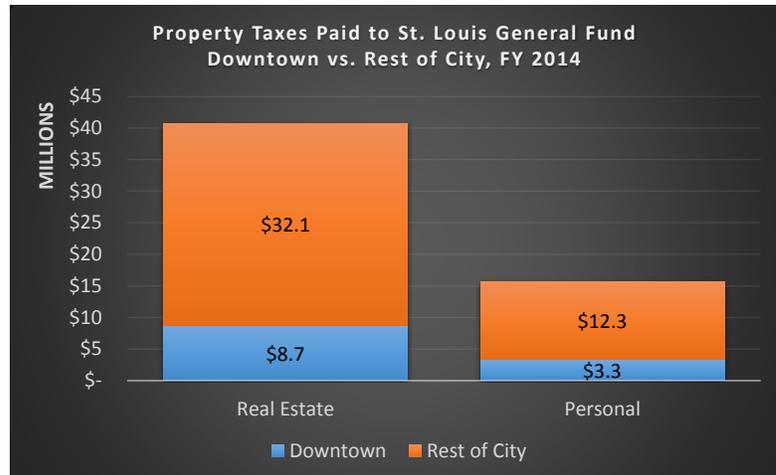
percent) applied to the St. Louis Public Schools (\$4.3711) while other jurisdictions also received funding through the property tax, such as the Zoo-Museum District, the Junior College District, and debt service funds in the City, among others.

Based on the general fund tax rate, the City of St. Louis received \$56.4 million in property taxes in FY 2014. Real estate taxes accounted for \$40.8 million (72.3 percent) and personal property taxes for \$15.6 million (27.7 percent).

Downtown generated \$12.0 million in general fund property taxes, or about 21.3 percent of the city total.

- The real estate property tax estimate for Downtown is based on the assessed valuation of taxable Downtown real estate as obtained from the City Assessor. That assessed valuation in FY2014 was \$655.0 million, which was a mix of both residential and commercial assessed valuations—the breakdown of which was not estimated. This was 21.3 percent of all real estate property tax assessments in the City.
- The personal property tax estimate for Downtown is based solely on the same share of Downtown’s share of the real estate property tax assessment, or 21.3 percent of the citywide real estate assessment. A more accurate determination of personal property assessments in Downtown would require greater knowledge of the value of business equipment and private vehicles, etc., data which is not publicly available on a geographic basis. On the other hand, real estate assessments are publicly available on a property-by-property basis.

Thus, Downtown is estimated to have contributed 21.3 percent of both real estate and personal property taxes to the general fund, or \$12.0 million of \$56.4 million.



## EARNINGS TAXES

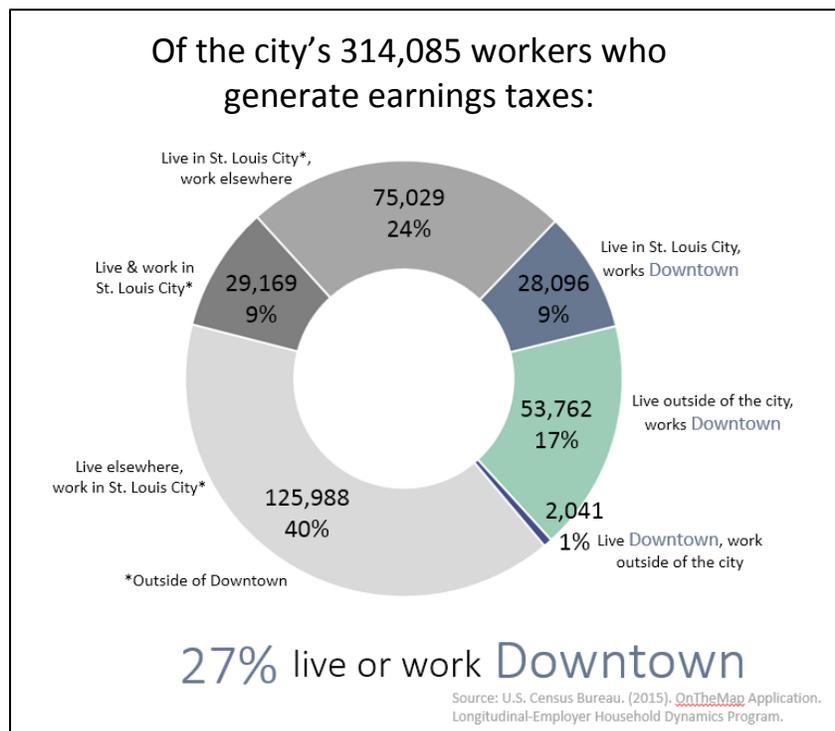
Earnings taxes are generated from three basic sources:

- From individuals employed in the city of St. Louis, regardless of their place of residence and regardless of the tax-exempt status of the employer.<sup>12</sup> These individuals pay a flat rate of one percent of earnings from their employment to the City’s general fund.
- From residents of the city of St. Louis who are employed outside the city. Likewise, these individuals pay a flat rate of one percent of earnings from their employment. Residents of the city and also employed in the city, however, are not double-taxed.
- From taxable businesses in the city (corporate earnings). These businesses pay earnings taxes based on a flat one percent of their taxable profits, just as they pay state and federal income taxes.

The graphic to the right shows the distribution by percentage of all employees working or living within the City of St. Louis. Employees and residents of Downtown are separated from employees and residents of other parts of the city. Over one-fourth, or 27 percent, of employees or residents required to pay the earnings tax do so because they work or live downtown.

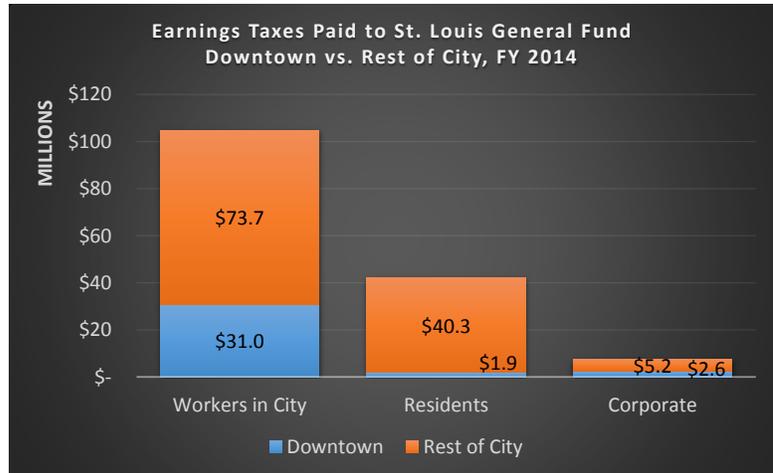
The City’s general fund collected \$154.5 million in earnings taxes in FY2014, or 42.8 percent of all

general fund taxes and 35.1 percent of the entire general fund. Using employment data for the city as a whole from the U.S. Bureau of Economic Analysis and data from the U.S. Census Bureau on jobs located Downtown vs. the rest of the City, this study estimates that:<sup>13</sup>



<sup>12</sup> While the employer may be tax exempt, the employee is not. This is a principle also followed by state and federal income tax laws. All workers are subject to income taxes whether their employers are or are not.

- \$104.6 million in earning taxes were generated by individuals employed in the city of St. Louis. Of this amount, almost \$31.0 million was paid by Downtown employees, or 29.6 percent.



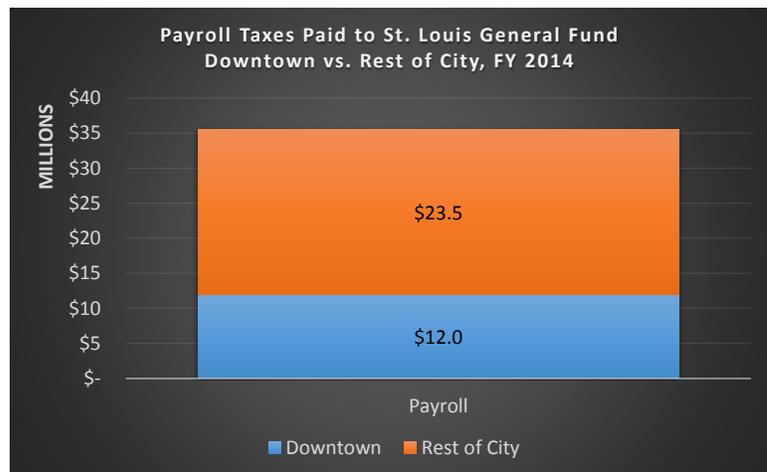
- Another \$42.2 million in city earnings taxes were generated from residents of the city who were employed outside of the city. Of this amount, \$1.9 million was generated by residents of Downtown St. Louis who work outside the city, or 4.5 percent of earnings taxes paid by residents employed outside the city.

- And another \$7.7 million was collected from the corporate earnings tax levied on city businesses subject to taxation. One third, or 33.3 percent, of these taxes are estimated to have been generated Downtown because 33.3 percent of all non-tax exempt jobs in the city are estimated to be located Downtown.<sup>14</sup>

All-in-all, therefore, Downtown is estimated to have contributed almost \$35.5 million in earnings taxes to the general fund in FY2014, or 22.9 percent of the City’s earning tax collections.

## PAYROLL TAXES

In addition to the earnings taxes that taxable employers in the city must pay on their own taxable profits, or corporate earnings, they must pay another 0.5 percent in payroll taxes based on the earnings of their employees. Based on economic and employment data from the U.S. and Missouri governments, this study estimates that the ratio of em-



<sup>13</sup> Again, these estimates were made by Development Strategies using outside, independent data sources. This breakdown of earnings taxes was not obtained from City government.

<sup>14</sup> There are, of course, tax exempt employers Downtown such as the various levels of government, the United Way, and similar organizations. Major employers outside of Downtown like the Washington University Medical Center and Saint Louis University are tax-exempt, though their many employees pay the individual earnings tax.

ployees at taxable vs. tax-exempt employers in the city of St. Louis is about 68 percent. That is, just over two-thirds of the people employed in the city work for taxable employers. Thus, the added 0.5 percent payroll tax on earnings of these employees becomes effectively 0.34 percent (68 percent of 0.5 percent) when calculated against all earnings taxes of those employed in the city.

On that basis, Downtown St. Louis is estimated to have contributed just over \$12.0 million in payroll taxes, or 33.1 percent of all \$35.6 million in payroll taxes collected by the City in FY2014.

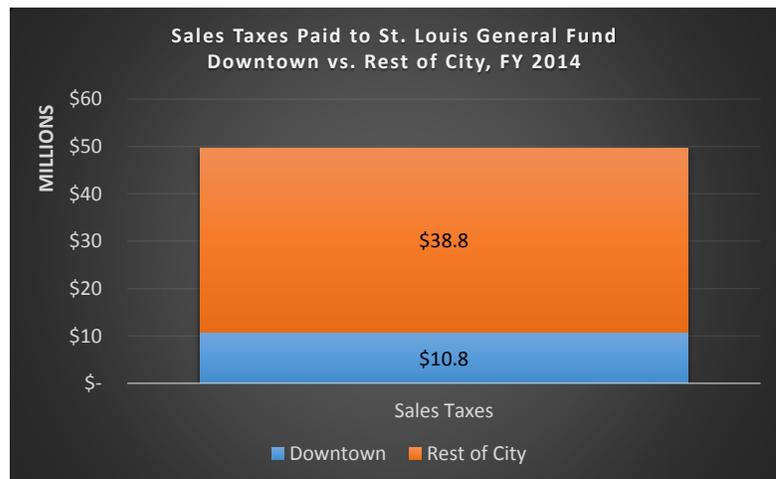
## SALES TAXES

Sales taxes are based on retail, restaurant, and hotel sales and room rentals. The effective sales tax rate in the city of St. Louis for the general fund is 1.375 percent. The overall tax rate applicable in the city is approximately 8.7 percent of retail sales. The State of Missouri collects 4.225 percent of this amount. Hotels add another 3.75 percent in sales taxes for

room rentals.<sup>15</sup> Local sales tax rates apply to bonded indebtedness of City government, recreational facilities, police capital improvements, the public safety pension fund, Great Rivers Greenway, and Metro Transit.

The general fund of the City collected \$49.6 million in sales taxes in FY2014 based on the 1.375 percent tax rate applicable to the general fund. Using

estimates of taxable sales based on floor area and type of business at Downtown retail stores, restaurants, and room rentals at Downtown hotels, this study concludes that sales taxes generated by Downtown businesses totaled \$10.8 million, or 21.9 percent of all general fund sales taxes.



## GROSS RECEIPTS TAXES

The gross receipts tax, like the sales tax, is based on consumer spending, specifically spending within restaurants.<sup>16</sup> The general fund collected \$7.8 million in gross receipts taxes in FY 2014.

<sup>15</sup> Restaurants and bars add yet another 1.5 percent for a “gross receipts tax” which is addressed in the next section.

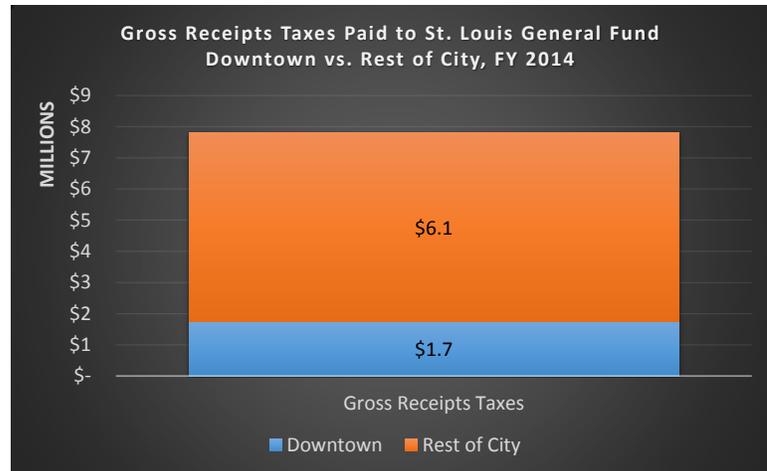
<sup>16</sup> There are other gross receipts taxes levied in the city, such as that imposed on ticket sales for professional football to help pay debt service on the stadium, but these are not considered in this analysis of Downtown tax generation.



Though alcohol and some food sales are exempt from the gross receipts tax, the proportion of restaurant spending taking place Downtown provides a basis for estimating of the amount of gross receipt tax generated Downtown.

Excluding drinking establishments from restaurant sales data obtained from Esri, a private vendor of socio-economic and business information, the total amount

spent at Downtown restaurants was \$148.5 million in 2014, compared to \$521.4 million in the remainder of the city, or 22.1 percent Downtown. It is, therefore, assumed that 22.1 percent of the roughly \$7.2 million in gross receipts taxes in the general fund, or \$1.73 million, were generated Downtown establishments.

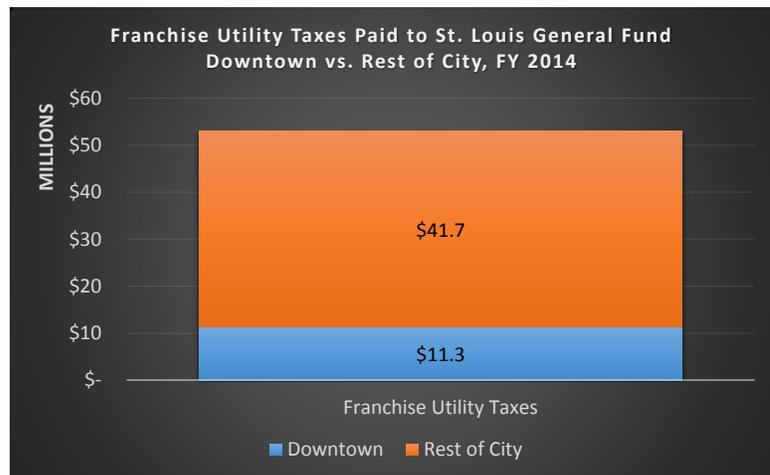


### FRANCHISE UTILITY TAXES

The franchise utility tax is charged against utility bills such as electricity, natural gas, and telephone service.<sup>17</sup>

The general fund collected \$53.0 million in franchise taxes in FY 2014, or about 12.0 percent of all general fund revenues.

Because of the vagaries in utility usage among the wide variety of users, residential and commercial, it is very difficult to approximate franchise taxes for geographic areas smaller than the city itself. Thus, the estimate of franchise tax payments in Downtown and in the



rest of the city is based, here, on real estate property assessed valuations. This is a proxy for the amount of floor area and value of real estate and, therefore, a proxy for the likely amount of utility usage taking place.

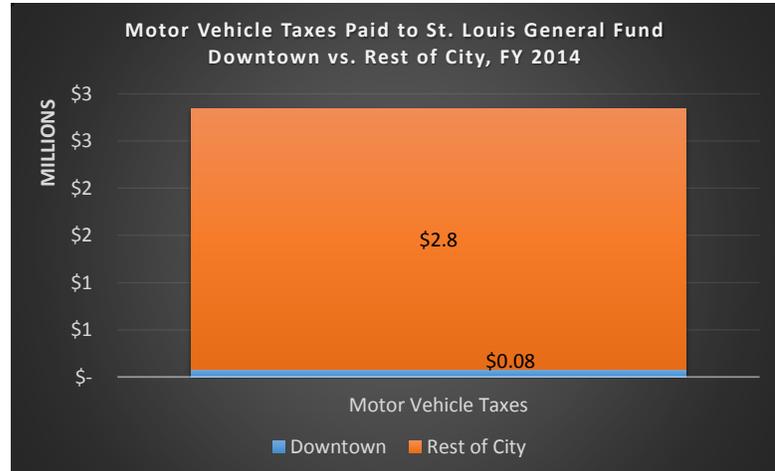
Downtown encompasses 21.3 percent of the city's assessed valuation as of 2014, a relatively high share because of the amount of floor area and economic activity that is concentrated Downtown. So the franchise

<sup>17</sup> Tax rates tend to vary between utilities and between commercial and residential users.

utility taxes generated downtown are assumed to equal 21.3 percent of the total collected. Downtown, therefore, generates some \$11.3 million in annual franchise taxes.

## MOTOR VEHICLE TAXES

The motor vehicle tax is a component of the retail sales tax but the city does not collect motor vehicle taxes based on where automobiles are sold, as is the case for retail goods. Instead, the tax is paid by the motor vehicle purchaser when licensing the vehicle with the State of Missouri, and the tax is reimbursed to the city where the purchaser resides.<sup>18</sup> Thus, taxes paid by a



resident of St. Louis City purchasing a car in St. Louis County would have those taxes sent by the state to the City. Likewise, a St. Louis County resident purchasing a car in the City of St. Louis would see the taxes paid to the County or the municipality in which the purchaser resides.

Because there is no readily available way to estimate geographically-based motor vehicle taxes for Downtown, resident population is used as a proxy. There is a high statistical correlation in the city between population and motor vehicle ownership. Because about 2.8 percent of the city’s population lives Downtown, it is assumed here that Downtown generates 2.8 percent of the annual general fund collections of the motor vehicle tax. For FY2014, this amounted to just \$79,000 of the citywide collection of just over \$2.8 million.

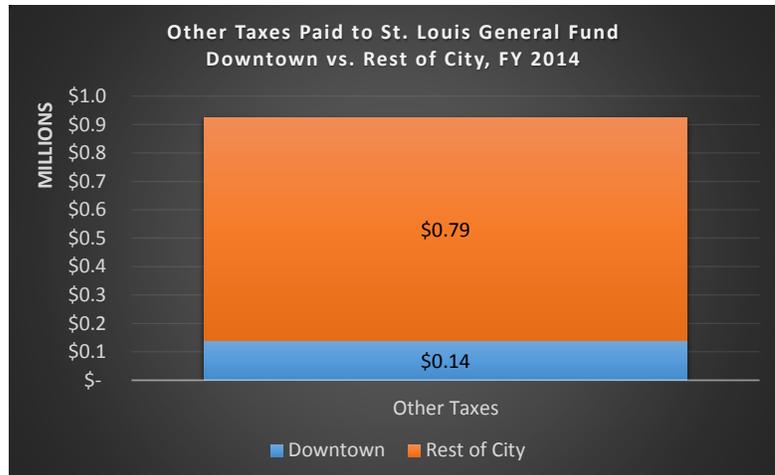
## OTHER GENERAL FUND TAXES

The City’s CAFR has a final tax category for the general fund simply called “other.” This category accounted for \$926,000 in revenue in FY2014. Because there is little basis for estimating which taxes comprise “other,” this study assumes that Downtown’s share of other taxes is based on the share of the sum of population and jobs located Downtown compared to the share of population and jobs located throughout the city.

<sup>18</sup> This tax is not to be confused with annual licensing and permits required for motor vehicles, which is a different source of revenue. The motor vehicle tax is paid just once at the time of purchase, while licensing is an annual or bi-annual occurrence.

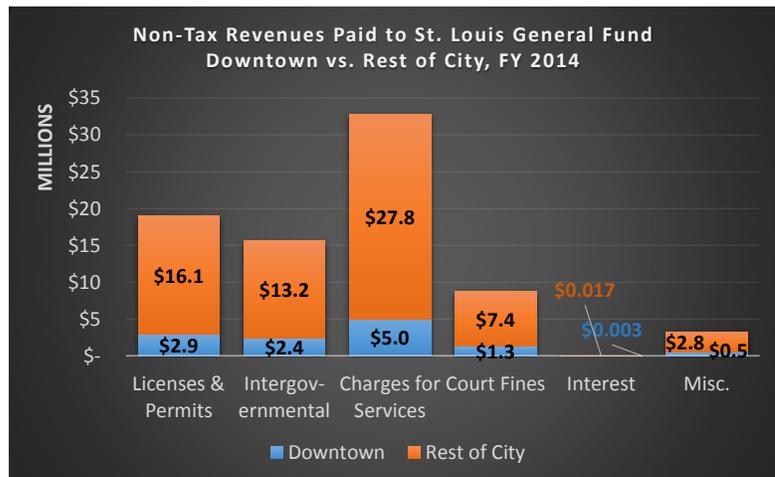
In 2014, the city as a whole had a population of about 317,400 and a job count (including those who live in the city) of 276,750. This sums to 594,150.

Downtown had 8,810 residents and 81,900 jobs, for a sum of 90,710, or 15.3 percent of the city’s total. It is assumed, therefore, that Downtown generated 15.3 percent of “other taxes” for the City’s general fund.



### NON-TAX GENERAL FUND REVENUES

The City’s CAFR also includes six non-tax sources of revenue which, together, generated just over 18 percent of general revenue funds in FY2014, or almost \$79.5 million. These sources include licenses and permits, funds from other governments (e.g., state and federal grants), charges for services, court fines, interest earned, and a miscellaneous category.



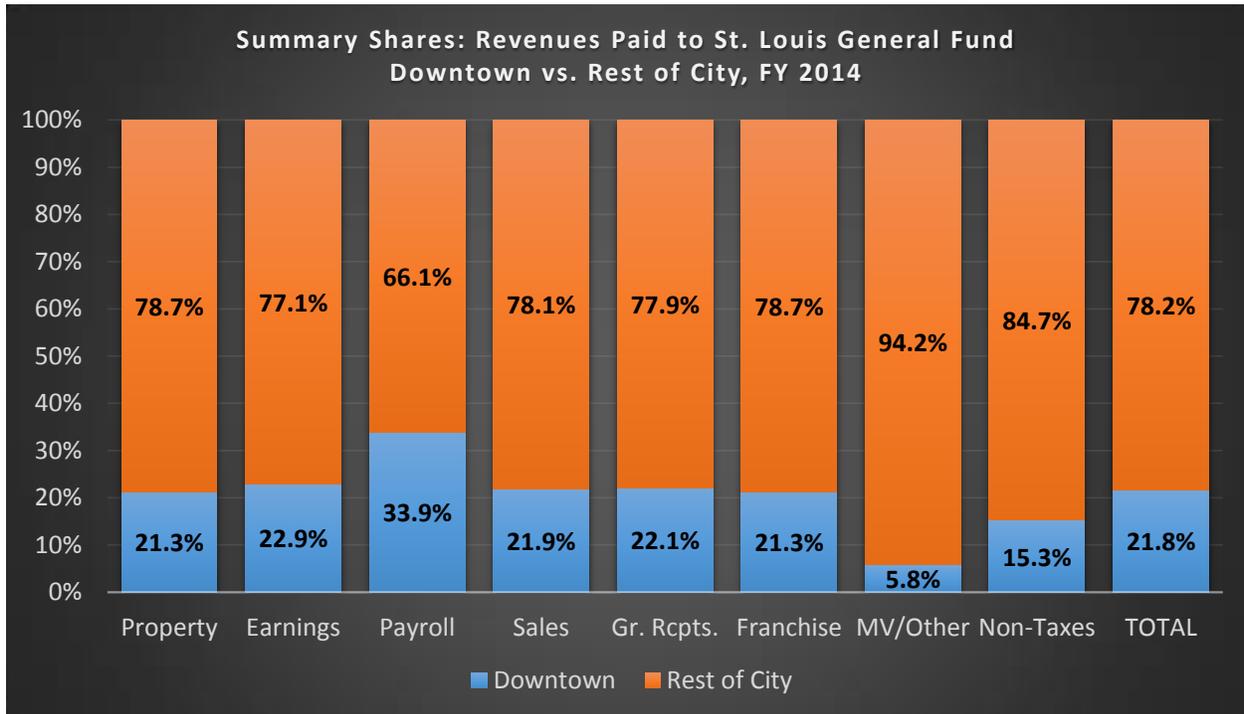
Because there is little basis for estimating how and, particularly, where these revenues are generated, this study assumes that, like “other taxes,” Downtown’s share of non-tax revenues is based on the share of the sum of population and jobs located Downtown compared to the share of population and jobs located throughout the city.

As noted above, Downtown has 15.3 percent of the combined population and job counts in the city, so it is assumed that Downtown also is responsible for an average of 15.3 percent of the non-tax revenues for the general fund. These summed to \$12.1 million in FY2014.

### SUMMARY: GENERAL FUND REVENUES

In total, Downtown St. Louis is estimated to have contributed almost \$95.8 million of the \$440.2 million general fund revenues in fiscal year 2014. Downtown’s share, therefore, was 21.8 percent of the general fund with contributions ranging from a low of 2.8 percent from motor vehicle taxes to a high of 33.9 percent from

payroll taxes. Downtown’s single largest dollar contribution of \$35.5 million came from the earning taxes, or 22.9 percent of all earnings taxes. The smallest contribution came from motor vehicle taxes of just \$79,000.



## GENERAL FUND EXPENDITURES DIRECTLY BENEFITING DOWNTOWN

The City’s FY2014 Comprehensive Annual Financial Report identifies eleven major spending categories for general fund resources, as shown on Table 4. All told, the City expended \$467.7 million for general fund operations in FY2014, about \$27.5 million more than general fund revenues. This section of the report describes the purposes of these expenditures and the methodology used in estimating how much Downtown St. Louis directly benefited from those expenditures. Expenditure categories are presented in the order they appear in the FY2014 CAFR.

TABLE 4: General Fund Expenditures, Fiscal Year 2014					
City of St. Louis and Downtown					
Source: St. Louis Comprehensive Annual Financial Report 2014					
Expenditures from the General Fund	Downtown	Rest of City	Total City	Percent to Downtown	Notes
General Government	\$ 3,164,000	\$ 40,878,000	\$ 44,042,000	7.2%	Combined share of 100% of population plus 30% of non-resident workers. Government is assumed to serve all residents 24/7 but non-resident workers only 50 hours per week.
Convention & Tourism	119,000	-	119,000	100.0%	All attributed to Downtown (Soldiers Memorial).
Parks & Recreation	221,000	18,671,000	18,892,000	1.2%	Based on acres of city-managed parkland.
Judicial	3,598,000	40,827,000	44,425,000	8.1%	Same as police.
Streets	927,000	32,463,000	33,390,000	2.8%	Based on \$1,090,00 provided by Streets Department to Downtown STL for the TDD, which extends to Compton Avenue. Adjusted downward 15% for Jefferson as western boundary.
Public Safety: Fire	4,744,000	66,416,000	71,160,000	6.7%	Downtown has one of 30 city fire houses. Assumption is that Downtown actually benefits from twice this share of Downtown fire houses because of its size, plus the complexity of Downtown and multi-alarm fires assumption.
Public Safety: Police	11,984,000	135,970,000	147,954,000	8.1%	Based on weighting of various crimes. See full report.
Public Safety: Other	3,958,000	44,901,000	48,859,000	8.1%	Same as police.
Health & Welfare	56,000	3,188,000	3,244,000	1.7%	Based on resident population weighted by per capita income, on the assumption that higher incomes require less City expenditures per capita for health and welfare. Downtown residents per capita income is about 1.6 x the rest of the city.
Public Services	2,110,000	27,252,000	29,362,000	7.2%	Same as general government.
Debt Services	1,886,000	24,364,000	26,250,000	7.2%	Same as general government.
<b>TOTAL General Fund Expenditures</b>	<b>\$ 32,767,000</b>	<b>\$ 434,930,000</b>	<b>\$ 467,697,000</b>	<b>7.0%</b>	

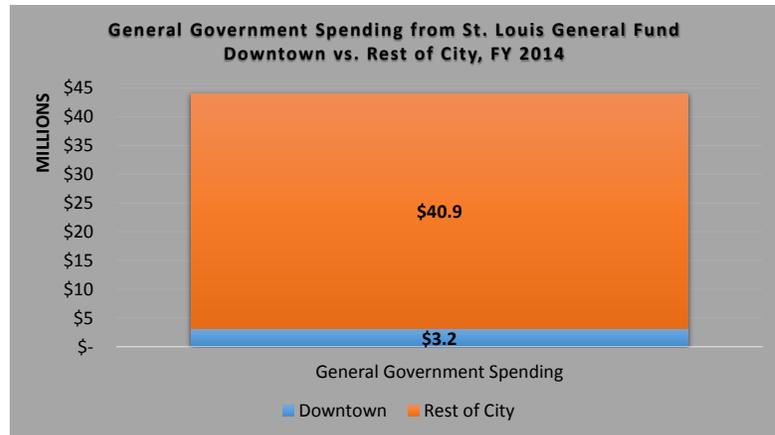
### GENERAL GOVERNMENT EXPENDITURES

General government expenditures cover a wide range of operations including support of the Board of Aldermen and the Mayor’s office, the Recorder of Deeds, the City Treasurer’s office, and City Planning and Urban Design among many other functions. In FY2014, general government spending totaled just over \$44.0 million, or about 9.4 percent of the general fund.

This report estimates that Downtown directly benefited from almost \$3.2 million, or 7.2 percent, of general government spending. This determination is based on the following suppositions:

- Downtown’s share of the city’s resident population plus
- 30 percent of the number of people who are employed Downtown (excluding those who are also residents).

City government is presumed to serve all of the residents all of the time in one manner or another. So residents benefit from city services round the clock. On another hand, people who are employed in the city but not residing in the city are presumed to benefit from city services only while they are working in the city. For this study, workers are estimated to spend an average of 50 hours per week in the city, or about 30 percent of the 168 hours in a seven-day calendar week.



Given Downtown’s share of the city’s population (2.8 percent) and its share of the city’s jobs (29.6 percent), the formula indicated above means that Downtown receives direct benefits from 7.2 percent of general government spending, or almost \$3.2 million per year.

## CONVENTION AND TOURISM

### EXPENDITURES

From the general fund, there is only a very small expenditure that is categorized as convention and tourism. This \$119,000 payment was fully directed to the Soldiers Memorial on the Gateway Mall in Downtown St. Louis. So all of it is attributed to benefiting Downtown.



### PARKS AND RECREATION EXPENDITURES

The City of St. Louis spent \$18.9 million to maintain and operate the city’s 109 public parks totaling almost 3,330 acres.<sup>19</sup> Downtown encompasses 12 of these parks, almost all of them in the Gateway Mall where indi-

<sup>19</sup> These range in size from 0.03 acres in Taylor Park which is shared by the Central West End and Forest Park Southeast neighborhoods to 1,375 acres in Forest Park. Not included in this list are the Gateway Arch Grounds which is not a city park but is operated as a national park. While it can be said to greatly benefit Downtown St. Louis, the city spends no money to help maintain and operate the Arch Grounds. At a smaller scale, Citygarden, in Downtown’s Gateway Mall, is also not a city park but is, instead, managed by a private foundation. Again, it is a great benefit to Downtown, but it is not subject to city government expenditures.

vidual blocks or small combinations of blocks are designated as separate parks. Altogether, Downtown’s city parks encompass almost 39 acres, or 1.2 percent of all city park acreage.

No records could be obtained indicating how much is expended by City government to support each park. Instead, it is assumed here that the amount of financial benefit Downtown receives from city park spending is directly proportional to Downtown’s share of city park acreage. Thus, Downtown directly benefited from 1.2 percent of the FY2014 spending on parks and recreation, or \$221,000.



### JUDICIAL SYSTEM EXPENDITURES

The City of St. Louis spent \$44.4 million to operate its judicial system in FY2014.<sup>20</sup> While a very large share of the judicial system is operated downtown (e.g., courts and the jail/justice center), outcomes of the judicial system can be said to benefit Downtown in proportionally the same way that they benefit other neighborhoods. Thus, it was important to devise a means for determining Downtown’s “fair share” of those benefits.

The chosen technique is based on crime statistics and is the same technique utilized for spreading the expenditures for the Police Department.

To estimate the proportion of the City’s total annual police expenditures (and, by extension, total annual judicial expenditures) that directly benefit Downtown, monthly crime report data were obtained from the St. Louis Metropolitan Police Department for the twelve-month period ending November 30, 2015. From this full-year list was extracted the data for the Downtown and Downtown West neighborhoods to create a list of all crimes that occurred in the Downtown study area over the course of that year.<sup>21</sup> The crimes were then sorted by type, and each type was assigned a score from 1 to 20 to indicate the relative amount of departmental resources required to be allocated to an average crime of that type. For instance, homicide was assigned a score of 20, while auto theft was given a score of 4, indicating an assumption that the average homicide requires five times more departmental resources than the average auto theft. Table 5 presents the score given to each type of crime.

<sup>20</sup> This excludes the Police Department which is separately itemized later in this report.

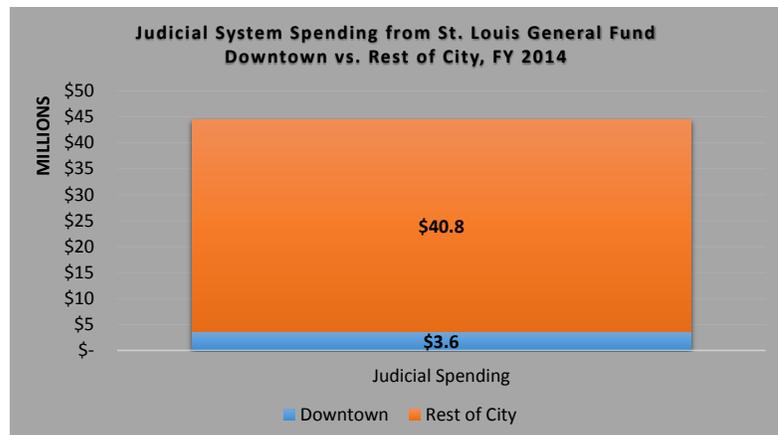
<sup>21</sup> Technically, this excludes the Wells Fargo Advisers campus on the west side of Jefferson Avenue, and adjustments were not made in the statistics to account for that relatively small area.

Table 5: Scores Assigned to Types of Crime Based on Relative Level of Resources Needed	
Source: Development Strategies	
Crime	Score
Aggravated Assault	8
Arson	6
Auto Theft	4
Burglary	7
Drug Crimes	5
Homicide	20
Larceny	3
Leaving the Scene of an Accident	2
Public Order	2
Rape	14
Robbery	10
Simple Assault	1
Weapons	4
Other	5

Assuming that these scores reflect a reasonable estimate of the relative cost of responding to and investigating each type of crime, an estimate of Downtown’s share of total police department expenditures can be made.

- The reported number of crimes by type of crime was multiplied by that crime’s weighted score from the table above.
- Those products were added together to obtain a weighted total crime score citywide and in Downtown.
- The weighted scores were compared to determine the cost of policing Downtown relative to the City as a whole.

The City’s total weighted score for all 51,682 crimes reported during the twelve-month period is 208,666. Downtown’s weighted score for its 5,519 crimes reported during that period is 16,999, or 8.1 percent of the citywide total score.<sup>22</sup> Thus, the Study Area accounts for approximately 8.1



<sup>22</sup> This is less than the 10.7 percent of all crimes taking place Downtown, indicating that the relative severity of crimes Downtown is slightly less than elsewhere in the city. It also means that Downtown requires fewer policy resources than its crime rate might otherwise suggest.



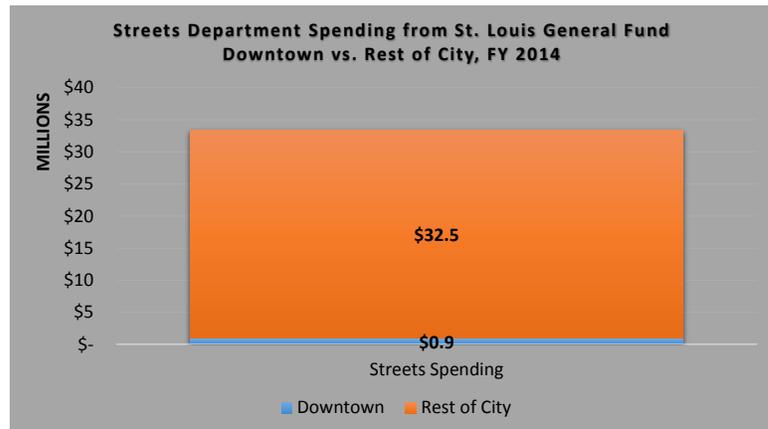
percent of total annual police department and judicial system expenditures. With FY2014 judicial expenditures of \$44.4 million, approximately \$3.6 million directly benefited Downtown.

**STREETS EXPENDITURES**

The City’s Department of Streets spent \$33.4 million to maintain streets, related rights-of-way, and traffic controls in FY2018.<sup>23</sup> The department prepared an analysis of its expenditures within what was recently proposed as a “greater downtown” transportation development district (TDD) so that an analysis could be made of potential additional expenditures that the TDD might fund. The proposed TDD would have included all of the Downtown study area as defined for this report but would extend westward from Jefferson Avenue to Compton Avenue.

<b>Table 6:                      Estimated Annual Streets Department Expenditures                      in Proposed Transportation Development District                      Mississippi River to Compton, Cole to Chouteau</b> Source: Downtown STL and Memo from Streets Dept.	
Street Maintenance	\$ 120,000
Street Cleaning	110,000
Snow and Ice Removal	70,000
Signals, Striping, Signing	550,000
Street Lights	170,000
Trash Removal	70,000
<b>TOTAL</b>	<b>\$ 1,090,000</b>

The department found that, in the prior year, it had spent \$1,090,000 within those boundaries, as shown on Table 6. For this study of fiscal impacts benefiting the Downtown study area which is smaller than the proposed TDD, that total spending amount was reduced by 15 percent to \$927,000. It is assumed, therefore, that the Streets Department spends \$927,000 annually to directly support Downtown streets from its general fund allocation.

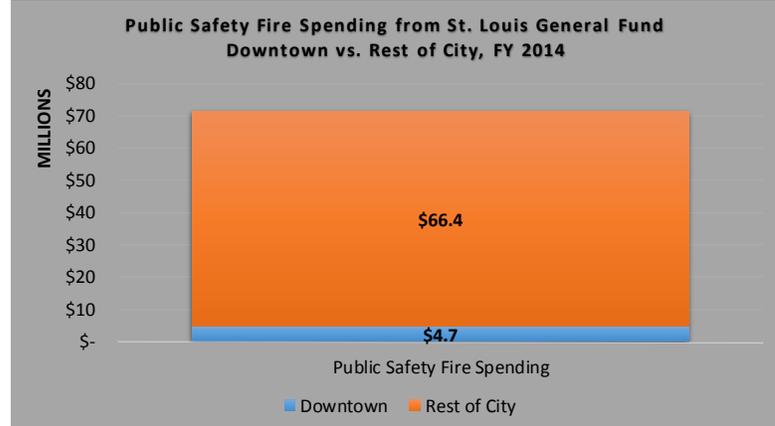


This \$927,000 represents 2.8 percent of the general fund expenditures for streets, slightly less than the 3.5 percent that Downtown represents of the city’s total land area.

<sup>23</sup> This figure excludes major capital expenditures for street and bridge replacement, etc. Such expenditures are covered paid for from a number of other funds in the city for capital investments.

## PUBLIC SAFETY: FIRE EXPENDITURES

The general fund identifies three major public safety expenditure categories: Fire, Police, and Other. The Fire category spent almost \$71.2 million from the general fund in FY2014. While the St. Louis Fire Department does not keep records on its calls and other services by neighborhood, the Downtown area is the setting of one of the de-

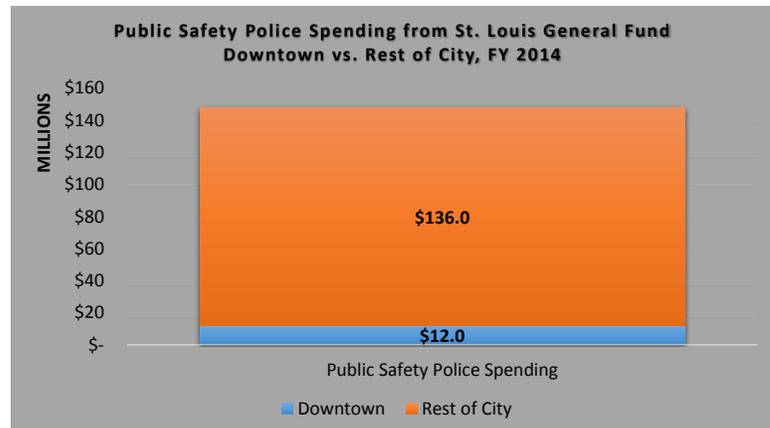


partment's 30 fire stations around the city. The Downtown station is located on Tucker Boulevard at Spruce Street. One method to estimate the fire department's spending to directly benefit Downtown is simply to say that Downtown receives 1/30<sup>th</sup> of such spending. But conversations with knowledgeable people led to a consensus that Downtown probably benefits from about twice that ratio. Given Downtown's size in terms of building scale, floor area, and number of workers, residents, and visitors, nearby fire stations are often called to assist in during Downtown fire and related emergencies.

Thus, this report assumes that 2/30ths (or 1/15<sup>th</sup>) of general fund expenditures for fire related services can be attributed to Downtown St. Louis. This amounts to just over \$4.7 million per year, or 6.7 percent of the general fund's fire expenditures.

## PUBLIC SAFETY: POLICE EXPENDITURES

General fund expenditures for FY2014 indicate that just under \$148.0 million was spent in support of police operations in St. Louis. Spending data focused on Downtown, however, could not be obtained from independent sources, so the estimate of spending that directly benefits Downtown is based on the crime data analysis de-

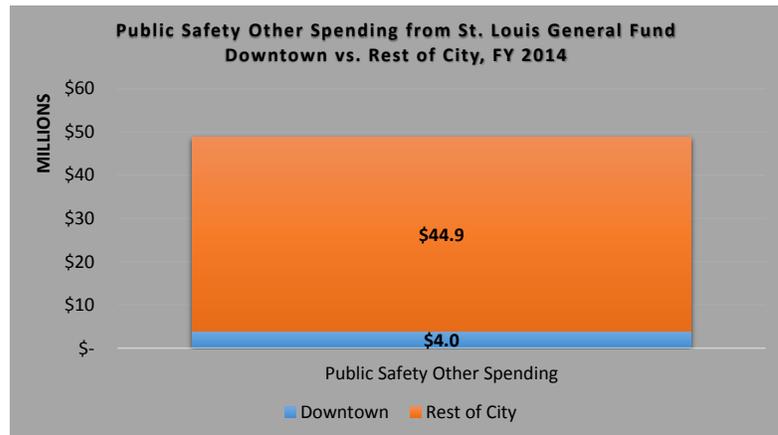


scribed earlier under the Judicial System expenditures. In summary, crime data Downtown compared to crime data for the entire city suggest that 8.1 percent of general fund police spending should be attributable to Downtown.

For FY2014, this means the Downtown received police benefits valued at almost \$12.0 million.

### PUBLIC SAFETY: OTHER EXPENDITURES

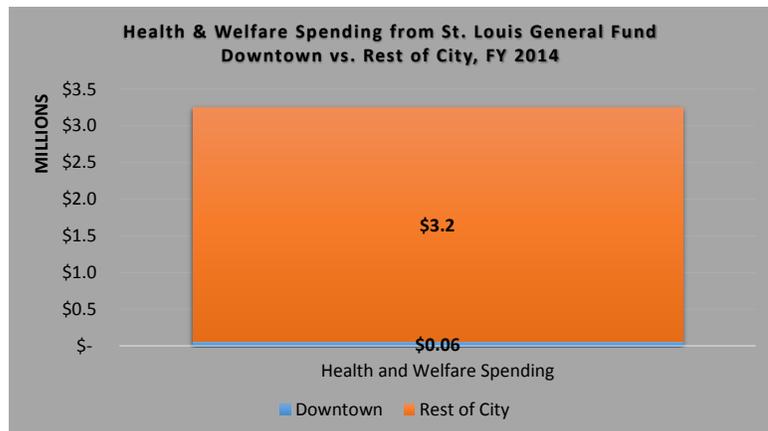
General fund expenditures for FY2014 indicate that almost \$48.9 million was spent in support of “other” public safety services outside of fire and police. In this category fall such services as the director of public safety, the Neighborhood Stabilization program, and the City’s Emergency Management Agency. Because no records are kept regarding such expenditures for



Downtown or other sub-areas of the city, it was decided that the best way to estimate “other public safety” expenditures that directly benefit Downtown was to use the same formula as for police and the judicial system. Thus, based on weighted scores for crime Downtown compared to the city as a whole, this “other” category is estimated to have provided services worth almost \$4.0 million for Downtown, or 8.1 percent of the public safety other expenditures from the FY2014 general fund.

### HEALTH AND WELFARE EXPENDITURES

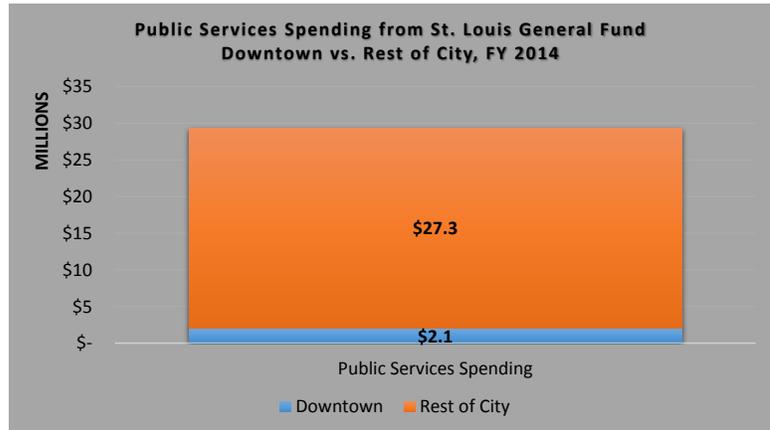
Health and welfare expenditures from the general fund for FY2014 were focused on the Medical Examiner’s office and the Director of Human Services. Spending citywide totaled just over \$3.2 million. The portion of this spending directly attributable to Downtown is based on resident population weighted by per capita income on the assumption that higher incomes require less City expenditures per capita for health and welfare.



Downtown residents have per capita incomes of about 1.6 times the rest of the city. So the formula to estimate Downtown benefits from health and welfare spending first determined a per capita spending amount, then reduced this by dividing the per capita number for Downtown by 1.6. This means that Downtown directly benefits from approximately 1.7 percent of the city’s health and welfare spending, or \$56,000 in FY2014.

## PUBLIC SERVICES EXPENDITURES

The City’s general fund expended some \$29.4 million in FY2014 for public services which included, primarily, the Board of Public Service and all of its responsibilities in operating City-owned structures. The share of these expenditures directly benefiting Downtown St. Louis was deemed best estimated using the same formula described earlier for

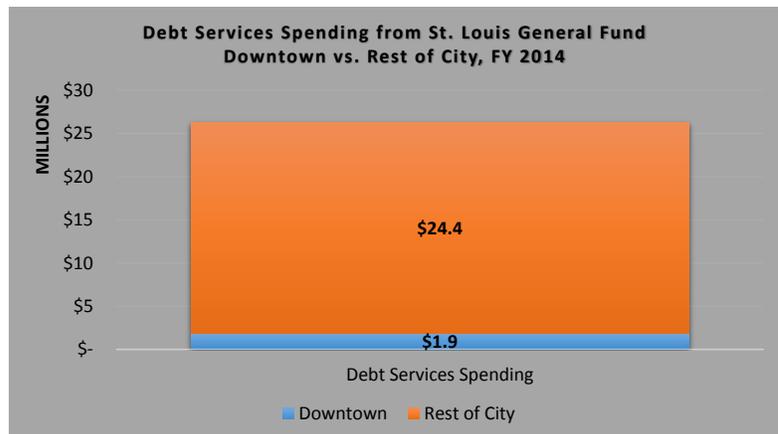


general government expenditures. This formula calculates that all of the city’s residents benefit from such spending equally on a per capita basis at all times. But some of the spending also benefits people employed in the city who spend about 30 percent of their time in city.

Given Downtown’s share of the city’s population (2.8 percent) and its share of the city’s jobs (29.6 percent), this formula means that Downtown receives direct benefits from 7.2 percent of public services spending from the general fund, or about \$2.1 million per year.

## DEBT SERVICES EXPENDITURES

The City’s general fund expended almost \$24.4 million in FY2014 for debt service payments, although there are many other sources of funds that also pay debt service on various outstanding loans and bond issues of the City. The share of these expenditures directly benefiting Downtown St. Louis was, like public services above, deemed best

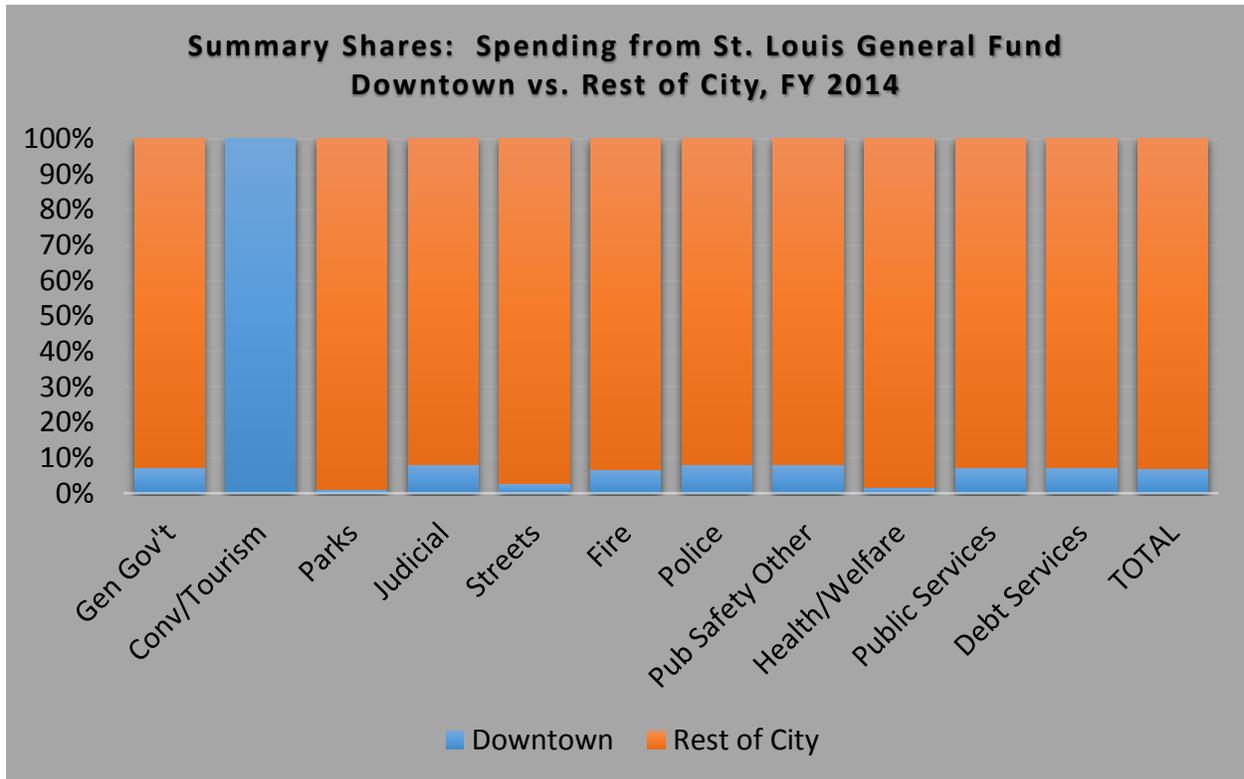


estimated using the same formula described earlier for general government expenditures.

Given Downtown’s share of the city’s population (2.8 percent) and its share of the city’s jobs (29.6 percent), this formula means that Downtown receives direct benefits from 7.2 percent of debt services spending from the general fund, or almost \$1.9 million per year.

**SUMMARY: GENERAL FUND EXPENDITURES**

In total, Downtown St. Louis is estimated to have benefited from almost \$32.8 million of the \$467.7 million general fund expenditures in fiscal year 2014. Downtown’s share, therefore, was 7.0 percent of the general fund with benefits ranging from a low of 1.7 percent for health and welfare spending to a high of 100 percent for convention and tourism spending, though this small amount of \$119,000 was devoted entirely to support of the Soldiers Memorial. Downtown’s single largest dollar benefit of \$12.0 million was from police services Downtown receiving an estimated 8.1 percent of benefits from police spending.



## EFFECTS OF FUTURE GROWTH SCENARIOS ON THE GENERAL FUND

Using the previously estimated general fund revenues generated in Downtown and general fund expenditures captured within Downtown, a spreadsheet model was created to suggest possible revenue and expenditure shifts if the **population** and **employment** of the city and Downtown changed under four future scenarios. The following are arbitrary projections, but rational enough to warrant serious attention. Three of the scenarios assume City and Downtown growth (high, intermediate, sluggish) while the fourth assumes Downtown population growth but Downtown employment decline coupled with Citywide population and employment decline.

No changes in tax rates or types of taxes are assumed.

For the most part, no changes in household income or its distribution throughout the City are assumed other than Downtown will continue to have a higher per capita income than the rest of the City. Where Downtown population grows faster than the rest of the City, Downtown's share of the City's personal income would, therefore, grow even faster.

In all scenarios, expenditures exceed revenues Citywide. This was the case in fiscal year 2014 and no attempt is made here to "balance the budget." Scenarios are based solely on the population and employment changes.

Dollars are still in 2014 values, and **end dates of each scenario are not assumed**. Thus, a population increase of 1,000 could take place next year or over the next 25 years. So the scenarios show the impact of the fiscal year in which the population and employment changes are finally realized, though no assumption is made as to actually when those changes will be realized. All percent changes are from FY2014.

<b>CURRENT CONDITIONS: FISCAL YEAR 2014</b>		
	<b>Population</b>	<b>Employment</b>
<b>ASSUMPTIONS</b>	City population: 317,400. Downtown population: 8,810. Downtown has 3% of city's population.	City employment: 276,750. Downtown employment: 81,900. Downtown has 30% of city's jobs.
	<b>Revenues</b>	<b>Expenditures</b>
<b>EFFECT ON GENERAL FUND</b>	City general fund: \$440.2 million. Downtown share: \$95.8 million. Revenues from Downtown make up 22% of citywide revenues.	City general fund: \$467.7 million. Downtown share: \$32.8 million. Expenditures in Downtown make up 7% of citywide expenditures.
Ratio of Downtown's share of revenues to Downtown's share of expenditures: 3.11. That is, Downtown produces 3.11 times the revenue that it receives in expenditures.		

<b>SCENARIO 1: HIGH GROWTH</b>		
	Population	Employment
<b>ASSUMPTIONS</b>	<p>City increases to 400,000, up 26%.</p> <p>Downtown's share increases to 30,000, up 241%.</p> <p>Downtown has 8% of city's population, up from 3% in 2014.</p>	<p>City increases to 325,000, up 17%.</p> <p>Downtown's share increases to 110,000, up 34%.</p> <p>Downtown has 34% of city's jobs, up from 30% in 2014.</p>
	Revenues	Expenditures
<b>EFFECT ON GENERAL FUND</b>	<p>City increases to \$528.4 million, up 20%.</p> <p>Downtown's share increases to \$143.9 million, up 50%.</p> <p>Revenues from Downtown make up 27% of citywide revenues, up from 22% in 2014.</p>	<p>City increases to \$581.4 million, up 24%.</p> <p>Downtown's share increases to \$64.9 million, up 98%.</p> <p>Expenditures in Downtown make up 11% of citywide expenditures, up from 7% in 2014.</p>
Ratio of Downtown's share of revenues to share of expenditures: 2.44, improved from 3.11 in 2014.		

<b>SCENARIO 2: INTERMEDIATE GROWTH</b>		
	Population	Employment
<b>ASSUMPTIONS</b>	<p>City increases to 350,000, up 10%.</p> <p>Downtown's share increases to 25,000, up 184%.</p> <p>Downtown has 7% of city's population, up from 3% in 2014.</p>	<p>City increases to 300,000, up 8%.</p> <p>Downtown's share increases to 100,000, up 22%.</p> <p>Downtown has 33% of city's jobs, up from 30% in 2014.</p>
	Revenues	Expenditures
<b>EFFECT ON GENERAL FUND</b>	<p>City increases to \$479.7 million, up 9%.</p> <p>Downtown's share increases to \$129.2 million, up 35%.</p> <p>Revenues from Downtown make up 27% of citywide revenues, up from 22% in 2014.</p>	<p>City increases to \$514.2 million, up 10%.</p> <p>Downtown's share increases to \$56.6 million, up 73%.</p> <p>Expenditures in Downtown make up 11% of citywide expenditures, up from 7% in 2014.</p>
Ratio of Downtown's share of revenues to share of expenditures: 2.45, improved from 3.11 in 2014.		

<b>SCENARIO 3: SLUGGISH GROWTH</b>		
	Population	Employment
<b>ASSUMPTIONS</b>	<p>City increases to 325,000, up 2%.</p> <p>Downtown's share increases to 20,000, up 127%.</p> <p>Downtown has 6% of city's population, up from 3% in 2014.</p>	<p>City increases to 285,000, up 3%.</p> <p>Downtown's share increases to 90,000, up 10%.</p> <p>Downtown has 32% of city's jobs, up from 30% in 2014.</p>
	Revenues	Expenditures
<b>EFFECT ON GENERAL FUND</b>	<p>City increases to \$452.5 million, up 3%.</p> <p>Downtown's share increases to \$114.1 million, up 19%.</p> <p>Revenues from Downtown make up 25% of citywide revenues, up from 22% in 2014.</p>	<p>City increases to \$479.4 million, up 2%.</p> <p>Downtown's share increases to \$48.0 million, up 46%.</p> <p>Expenditures in Downtown make up 10% of citywide expenditures, up from 7% in 2014.</p>
Ratio of Downtown's share of revenues to share of expenditures: 2.52, improved from 3.11 in 2014.		

<b>SCENARIO 4: CITYWIDE DECREASES</b>		
	Population	Employment
<b>ASSUMPTIONS</b>	<p>City decreases to 300,000, down 5%.</p> <p>Downtown's share increases to 15,000, up 70%.</p> <p>Downtown has 5% of city's population, up from 3% in 2014.</p>	<p>City decreases to 265,000, down 4%.</p> <p>Downtown's share decreases to 80,000, down 2%.</p> <p>Downtown has 30% of city's jobs, the same as 2014.</p>
	Revenues	Expenditures
<b>EFFECT ON GENERAL FUND</b>	<p>City decreases to \$419.8 million, down 5%.</p> <p>Downtown's share increases to \$99.1 million, up 4%.</p> <p>Revenues from Downtown make up 24% of citywide revenues, up from 22% in 2014.</p>	<p>City decreases to \$443.2 million, down 5%.</p> <p>Downtown's share increases to \$34.2 million, up 4%.</p> <p>Expenditures in Downtown make up 8% of citywide expenditures, up from 7% in 2014.</p>
Ratio of Downtown's share of revenues to share of expenditures: 3.06, improved from 3.11 in 2014.		



