ST. LOUIS INCENTIVES NEXUS STUDY

Analysis of City Conditions Related to
the Use of Economic Development Incentives

2025

bakertilly

This analysis represents a cooperative research effort between staff at the St. Louis Development Corporation and Baker Tilly to assess the demographic, economic, spatial, and public policy factors related to the use of economic development incentives in the city of St. Louis. This analysis relied on a variety of data sources that are cited throughout the document and in the References section. The data displayed in this report are sourced verbatim from their respective sources or are based on reasonable calculations of impact.

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Cover Image Source: Downtown St. Louis Community Improvement District via Facebook

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EXECUTIVE SUMMARY

The St. Louis Development Corporation (SLDC) engaged Baker Tilly to conduct a nexus study to understand the intersectional relationships between the use of tax abatements and tax increment finance (TIF) and the effects of these programs on property tax revenues flowing to the City and the St. Louis Public School District (SLPS). Additionally, the analysis sought to understand the external demographic and market factors concurrently exerting an influence on the City's economic vitality and revenues and SLPS enrollment trends and financial stability.

The study identified a set of macro-level demographic and economic trends in St. Louis City. The City has seen a growing structural demographic deficit of households with children that reflects national trends, the early signs of a re-population of city neighborhoods with households without children, a growing reliance by SLPS on property tax revenue as a funding source amid precipitous drops in state revenues, and positive economic and financial impacts from economic development projects driving new capital investment, job creation, and overall economic activity in the midst of difficult market conditions that make market-rate development unfeasible in many areas of the City.

CONFRONTING THE STRUCTURAL DEMOGRAPHIC DEFICIT

Similar to topline trends across the United States, the City and SLPS are confronting a demographic deficit of fewer households with children that is anticipated to be ongoing for the forseeable future. This is further exacerbated by the depopulation of the City beginning in the 1960s. Key elements of these trends include:

- Since 2010, the City has lost more than 30,000 residents, or about 10% of the total population. However, the data shows a relatively slow pattern of depopulation, as opposed to the larger exodus seen historically.
- The total number of households in the City has gradually trended upward, increasing from 142,152 to 148,348 between 2010-2022.
- The average household size has decreased from 2.19 to 1.86 between 2013-2022, while the average family size has decreased from 3.26 to 2.68 between 2013-2022. Because the average household size is now below 2, many of these households are likely childless.
- The population under 18 years of age declined from 20.4% to 18% between 2013-2022. The share of households with one or more individuals under 18 years of age declined by 4 percentage points between 2013-2022.

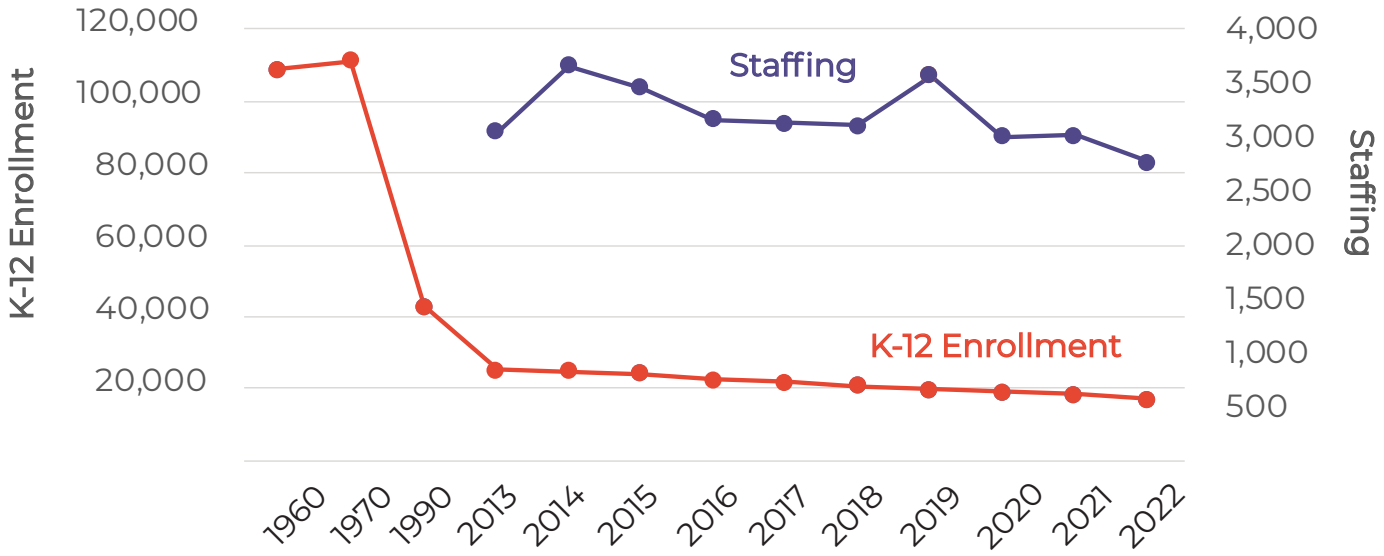
While these trends are beyond the immediate control of the City, the SLDC, and SLPS, they will have a significant impact on operations, opportunities, and the City's economic future. As a result, new strategies need to be considered within these shifting community conditions to position the City for success.

CHALLENGING SLPS FINANCIAL PATTERNS & DECLINING STUDENT ENROLLMENT

The structural demographic challenges noted above translate to a difficult future for SLPS. Because the District's funding is tied to enrollment, fewer students means less per pupil revenue from the State of Missouri. However, the District has thus far relied upon property tax revenue as a way to support itself. Considerations for its financial position include:

- Student enrollment has seen a persistent decline of roughly 80%

ST. LOUIS PUBLIC SCHOOLS ENROLLMENT AND STAFFING TRENDS 1960-2022



Note: Incomplete enrollment data was available for 1980, 2000, and 2010. Staffing data was only available from 2013-2022. Source: SLPS 2022 ACFR; STLPR.

since the 1960s and 1970s when the student population was at its peak of over 100,000. Recent enrollment trends within the last decade show a continued decline with a total student enrollment of 17,254 in 2022.

- SLPS' loss of enrollment has been more pronounced than the City's loss of population, with the number of students enrolled dropping from approximately 178.8 per 1,000 City residents when enrollment peaked in 1970 to 60.2 per 1,000 residents in 2022.
- The effects of the end of the Voluntary Interdistrict Choice Corporation (VICC) on local school enrollment trends is unknown. It is likely that the student populations between public schools, magnet schools, and private schools may shift in the coming years. Data on charter and parochial schools was not available and is not included in this report.
- State revenue sources have declined steeply since 2013 with enrollment declines likely playing a significant role. Foundation Formula funding fell from nearly $48 million in 2013 to roughly $10.5 million in 2022.
- Local revenue sources have supported SLPS' financials and comprise a far larger share of district revenues than the Missouri State Auditor indicates is the average statewide. Local current tax revenue as a funding source increased approximately 30% from 2013-2022 – with approximately 75% of this revenue source being comprised of property tax.
- Given the declining enrollment issue facing SLPS, the District is in a fairly good fiscal position, earning an AA rating on a recent (2023) $135 million bond issuance from S&P Global. However, capital improvement needs and a funding shortfall caused by expiring Federal funds related to the COVID-19 pandemic will create financial constraints in the near future for SLPS.

SLDC INCENTIVIZING PROJECTS AMIDST MARKET HARDSHIP

Given market headwinds challenging the financial feasibility of projects, the SLDC has continuously utilized incentives to support new development facing financing gaps. Market conditions in the City are materially more difficult than in the surrounding suburban areas. Due to lower market rents and higher vacancy rates, most projects struggle without assistance. As a result, the SLDC plays a key role in supporting new development as outlined in these estimated outcomes of incentivized projects:

- A total of 275 incentivized projects have occurred from 2017-2024, which are delivered or near-delivered and have fully approved incentives, that have positively impacted multiple neighborhoods. These projects were estimated to have generated an overall capital investment of nearly $5.2 billion.
- The incentivized projects are estimated to have delivered 9,832 new housing units, 2,619 hotel rooms, 1.29 million square feet of retail space, and over 4.5 million square feet of office and industrial space.

CONSIDERING A NEW FUTURE INCENTIVES NEXUS

The City finds itself at a crossroads where ongoing demographic trends are resulting in a positive net increase in the number of households at the same time that both total population and the percentage of the population under 18 is declining. The resulting growth in households without children has the potential to support increased economic activity and revitalization in St. Louis, but SLPS will continue to see declining enrollment in these conditions. This represents an important divergence where the City has the potential to revitalize itself, while SLPS will continue to confront a series of challenges due to a lack of students.

Due to SLPS's revenue structure, its reliance on local property tax revenues to support its fiscal health is expected to increase in future years. Thus, pursuing economic revitalization with stability and growth in assessed values across the City will be critical for the SLDC. While residential assessed values increased over the past five years, commercial assessed values saw a sharp decline due to the City's depopulation and the effects of COVID-19. Currently, St. Louis City presents a challenging, slow-moving real estate market that is facing headwinds across real estate types from low market rents and high vacancy rates combined with high construction costs and high interest rates. The SLDC has seen a resulting decrease in project flow in recent years. The underwriting gaps these conditions create make tax abatement and TIF critical for filling gaps in order to deliver projects.

An incentive analysis indicates the use of tax incentives in St. Louis City plays a critical role in generating market activity. The City has seen impactful investments in recent years, but the market trends described above indicate a slowdown in market activity. With respect to the continued responsible use of economic development incentives, the SLDC should continue using its prioritization, evaluation, and scoring procedures for projects requesting assistance. The SLDC can consider the following additional tools to inform its decision-making:

- Traditional and school-specific impact models to develop data metrics to measure project and incentive impacts on municipal revenues and school-age children. This report

recommends the use of Georgia's Tax Allocation District (TAD) model.

- The rationale of a Healthy Families Nexus to balance economic development with social determinants of health for families and children. The components of this nexus can assist in the re-population of city neighborhoods and the attraction of families back into St. Louis.

The SLDC is limited in its ability to influence the structural demographic challenges facing SLPS through its use of property tax incentive programs. However, the SLDC's existing strategy for incentive use is critical to supporting the long-term health of the property tax base for the City and SLPS. The SLDC may consider adopting a preference or policy goal that favors projects with combined residential and commercial density that include amenities necessary and attractive for families. Such a preference can give priority to projects that have a higher likelihood of attracting families with school-age children into the City in an attempt to boost SLPS enrollment and reverse the trend of decline, while also growing the property tax base more broadly through alternative and complementary project types that support job creation and generate demand.


SAINT LOUIS UNIVERSITY

1 ANALYSIS STRUCTURE

PURPOSE & LIMITATIONS

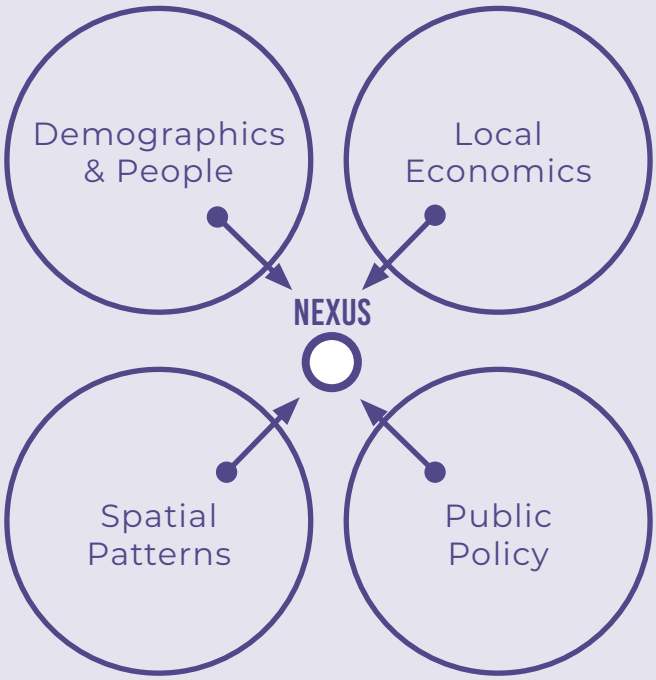
Following their recent review of incentive policies, procedures, and the project scorecard tool, the SLDC and its related entities are continuing their efforts to further assess the use of incentives in supporting new real estate development and substantial renovations of existing buildings within the City. Specifically, these considerations have focused on the use of tax abatements and TIF due to the effects of these incentive programs on property tax revenues flowing to the City and SLPS. The SLDC engaged Baker Tilly to conduct a nexus study to understand the relationship between the use of tax abatements as a financial incentive for development and the fiscal impact to the City and SLPS.

The City and SLPS have a historical context that is relevant and impactful to this analysis. Due to the prolonged depopulation of St. Louis, a series of cascading consequences have negatively impacted the fiscal conditions of the City and SLPS. The loss of residents has resulted in a correlated deterioration of the housing stock, an increase in the number of vacant houses and lots, and a loss of enrolled students in SLPS. Each of these trends has contributed to the financial difficulties facing the City and SLPS with respect to anticipated future revenue streams. When these effects are considered in conjunction with the role of tax abatements, the responsible and judicious use of these incentives becomes paramount.

EXPLAINER: NEXUS STUDIES

Nexus studies are a type of analysis that can be used in any community to assess relationships between various actions, events, programs, and trends. These relationships help to identify the intersectionality between various factors – whether by correlation (related and potentially linked to one another) or causation (directly linked to one another by cause-and-effect.) The analysis typically examines existing conditions and considers historical trends.

Any nexus study will consider four types of factors: demographic (i.e., people), economic, spatial, and public policy. The goal in analyzing these factors is to identify where, when, and how they overlap and interact with one another. When multiple factors are considered historically, the analysis typically reveals cumulative or cascading consequences that produced existing conditions over time. Based on the conclusions from the analysis, new programs, initiatives, or public policy changes are introduced to improve existing conditions.



Section Title Image: Downtown St. Louis Community Improvement District via Facebook

RESEARCH TOPICS & QUESTIONS

Due to the interrelated nature and impacts of tax abatements and TIF on the City and SLPS, this nexus study assessed various factors simultaneously to understand the relationship between assessed property tax values, school enrollment, and municipal finance. From these studies, the following themes were present:

A. Housing as a determinant of municipal fiscal health based on the assessed values of residential real property;
B. The assessed value of real property as a variable in the calculation of tax abatement incentives;
C. The political economy of housing assessed values, SLPS student enrollment, and tax abatements as a financial incentive for development; and,
D. The effects of prolonged depopulation of City neighborhoods and the resulting deterioration of housing stock, vacant structures, and vacant lots.

These themes helped organize a set of research questions to frame the analysis and guide the development of the nexus framework. The questions sought to focus on the relationships between taxable real property, the City's fiscal condition, and fiscal and enrollment trends at SLPS. The following research questions were developed:

A. What is the nexus of material variables related to tax abatements given existing conditions in the City and SLPS?
B. What parameters can be defined to govern the responsible use of tax abatements as an incentive tool given their impacts on municipal revenues?
C. How should tax abatements be used to revitalize St. Louis and improve the community's economic vitality, notably by repopulating the City, increasing the number of households with children, and increasing economic density?

ANALYSIS METHODS

To assess conditions in St. Louis, a variety of data sources were utilized to build time series analyses, conduct individual project assessments, and contextualize data trends alongside community factors. The analysis adopted a medium-term historical lens to understand longitudinal trends over the last decade that significantly impacted the City. In select instances, this timeframe was extended to include multiple decades if a trend was longer in duration – for example, the depopulation of residents. Additionally, local news stories and university research were utilized to provide background commentary on data trends and help to illustrate macro factors impacting the City. Data sources included the U.S. Census Decennial dataset (2020), American Community Survey (ACS) estimates, the annual comprehensive financial reports (ACFR) of the City of St. Louis and the St. Louis Public School District, and project data from the St. Louis Development Corporation.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2 EXISTING CONDITIONS NEXUS

In order to develop a baseline understanding of the historical factors and trends informing the current state of assessed property tax values, school enrollment, and municipal finance, the study first examined trends in key relevant variables related to the City's demographic and household characteristics, school enrollment characteristics, property values and tax, and SLPS fiscal and operating results. On an individual basis, the assessment of these trends helps to understand the condition of the City and SLPS. However, when evaluated for their interrelatedness and intersectionality, the data helps develop the nexus of existing community conditions. Because one of the core questions of this analysis seeks to determine the responsible use of incentives in the City, the development of the existing conditions nexus is an exercise that identifies the main demographic and economic stressors challenging St. Louis.

The City has faced challenging long-term demographic and economic dynamics. St. Louis suffered from a unique and destabilizing loss of population beginning in the 1950's. The City's population peaked at 856,796 in 1950. The population losses in the period between 1950 – 1980 exceeded 100,000 per decade. The situation began to stabilize around the year 2000, and the City has completed numerous redevelopment efforts, even in the face of these population losses which are among the largest experienced by a major city. The City's population is now approximately 286,578.

However, the urban core of the St. Louis metropolitan statistical area (MSA) – including the City and St. Louis County – has continued to see a trend of depopulation and out-migration of residents. In reporting by St. Louis Public Radio (STLPR) and commentary from St. Louis University, newly-available American Community Survey (ACS) 1-Year Estimates show that the total MSA lost approximately 19,000 people from 2020-2022, with the City and county each losing approximately 15,000 people. This out-migration of residents was largely led by children ages 19 and younger, young adults ages 20-29, and late-career adults ages 50-59.[1] This loss of population has served as a drag on the local economy due to declines in demand for goods and services, as well as the loss of working-age adults.

Across racial and ethnic groups, this depopulation trend diverges. The Hispanic and Asian communities, specifically within the City and the broader MSA, are growing. Across the MSA, the Hispanic community grew by 50% from 2010-2020, while the Asian community grew by 37%. The Hispanic community is now over 100,000 in population, and the Asian community about 50,000, in the MSA. Conversely, the City lost approximately 27,000 Black residents from 2010-2020 to surrounding counties or other states. This is compared to a loss of approximately 5,000 White residents over the same time period. STLPR reported that the out-migration of Black households from the City was driven by a desire to live in communities with better public schools, lower crime rates, and higher property values.

In conjunction with these out-migration trends, the region also saw a decrease in its natural birth rate. STLPR quoted St. Louis University Professor Ness Sandoval as saying, "The St. Louis region no longer has the ability to grow naturally. Once you're in that trend, it's difficult to turn around because it's not something where you can just wave a magic wand and say, 'We want more babies.' It's a

Section Title Image: STL From Above via Facebook

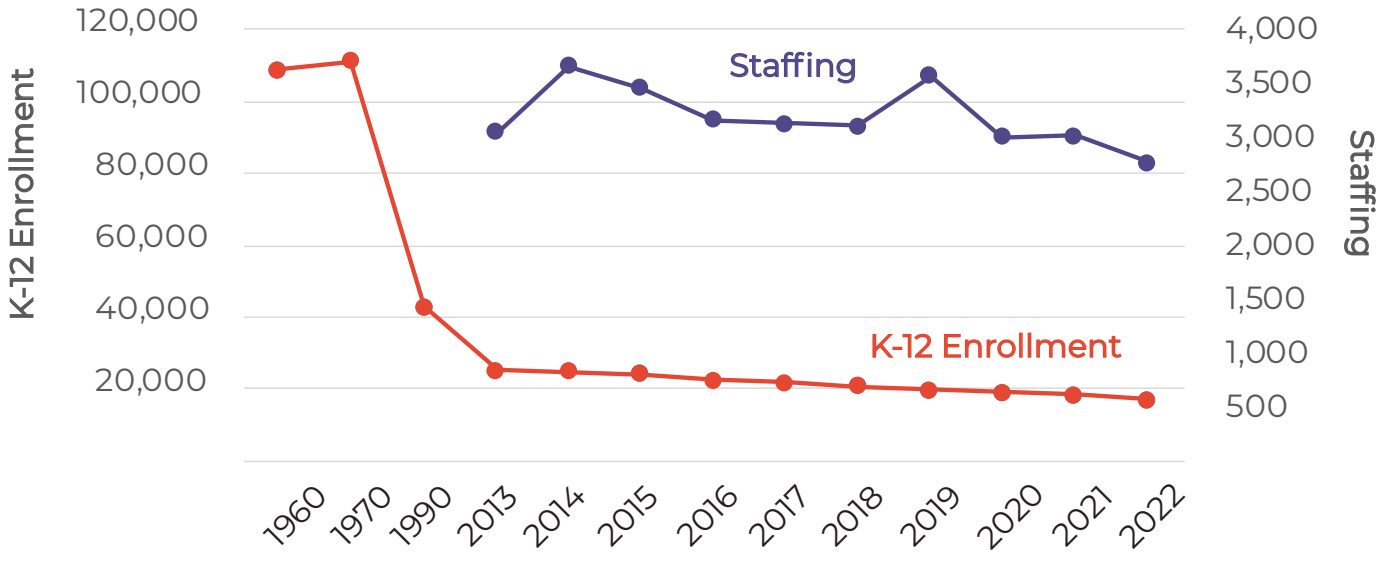
very difficult thing. Usually it takes a generation to turn those trends around."[2] These factors – when considered together – indicate the emergence of a structural demographic deficit in population trends for the region.

This demographic deficit is occurring simultaneously with the dramatic decline of students in SLPS.[3] Figure 1 shows a decline in SLPS student enrollment of roughly 80% since the 1960s and 1970s, when the district had a total student enrollment of over 100,000. SLPS-reported data from the last decade shows that district enrollment has continued to steadily decline over this period, with the most recent data showing a total student enrollment of 17,254 in 2022. Over the same period, SLPS shows an overall trend of gradual staff reductions, and it has also reduced the number of schools in the district from 76 in 2013 to 64 in 2022.

Indeed, SLPS' loss of enrollment has been even more dramatic than the overall population loss within the City. SLPS enrollment peaked in 1970 at 111,233. At that time, the total population of the City was 622,236, so the enrollment level represented 178.8 students for every 1,000 City residents. As noted above, SLPS currently has an enrollment level of just over 17,000 students which represents 60.2 students per 1,000 City residents, approximately a third of the level seen in 1970.

When assessing the nexus of existing community conditions in St. Louis, it is important to recognize that the City is not alone in confronting these challenges. At a macro level, the United States is facing a structural demographic deficit due to declining birth rates and a lack of immigration of foreign-born individuals. Additionally, peer cities – like, Baltimore, Detroit, and Cincinnati

FIG. 1: ST. LOUIS PUBLIC SCHOOLS ENROLLMENT AND STAFFING TRENDS 1960-2022



Note: Incomplete enrollment data was available for 1980, 2000, and 2010. Staffing data was only available from 2013-2022. Source: SLPS 2022 ACFR; STLPR.

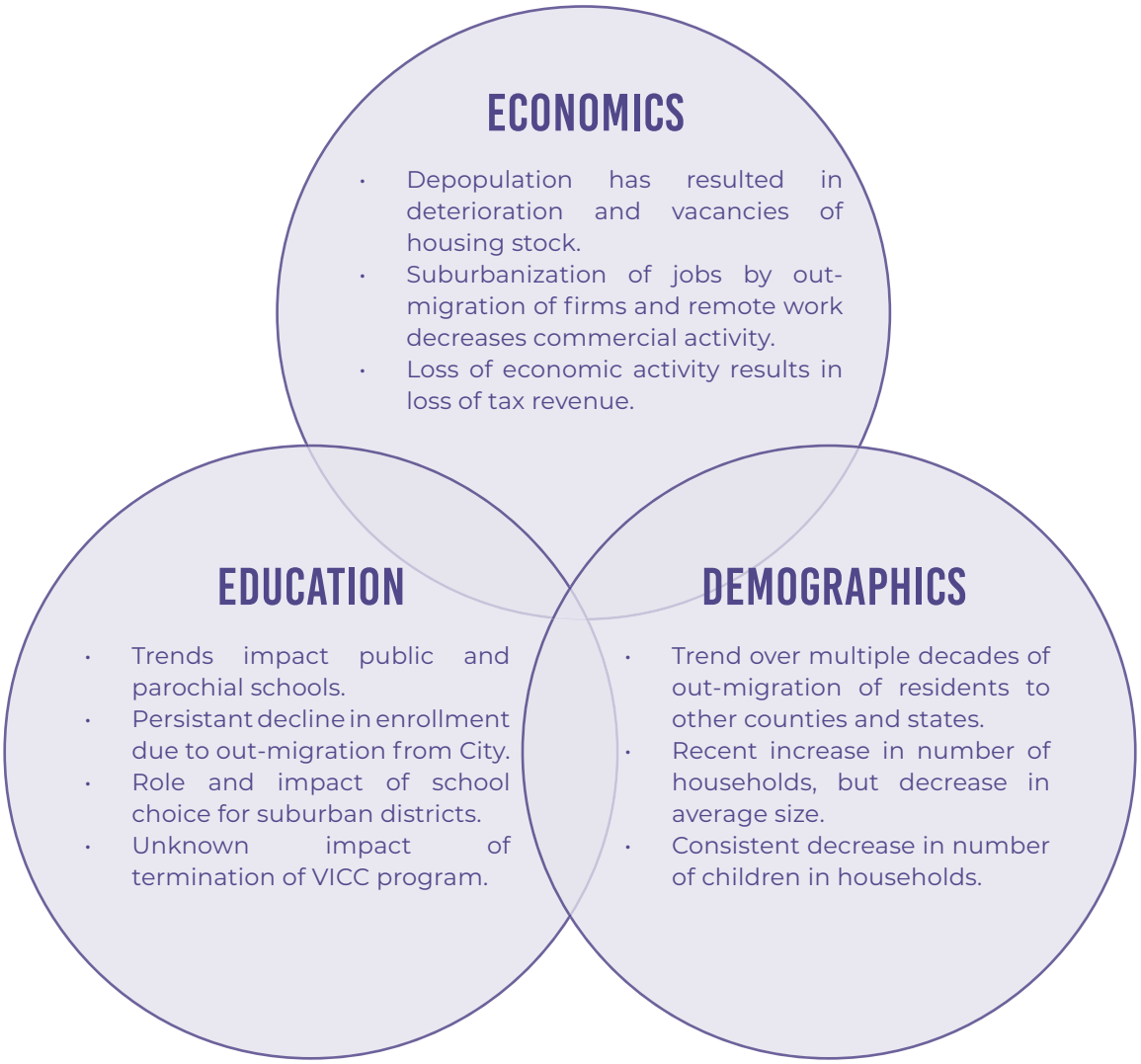


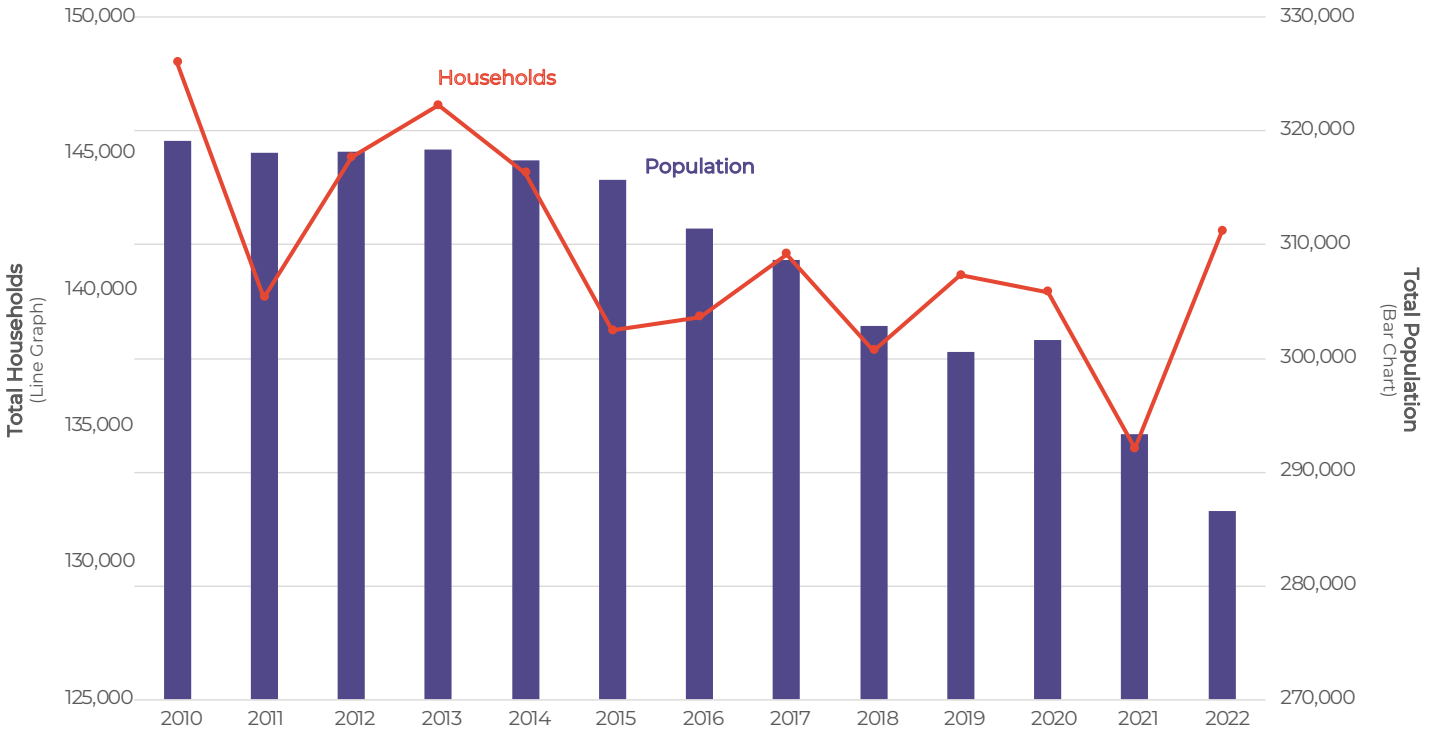
FIG. 2: NEXUS OF EXISTING COMMUNITY CONDITIONS IN ST. LOUIS

– have faced depopulation, large-scale residential deterioration and vacancies, and economic struggles. A holistic approach can be taken by St. Louis to revitalize the City and address this nexus of stressors. However, the future repopulation of the City may not take its previous form or reflect historical neighborhood conditions remembered by many. Instead, the repopulation will likely focus on more households that are smaller in size and potentially childless.

POPULATION & HOUSEHOLD TRENDS ANALYSIS

Historical population and household trends are a good bellwether of economic demand in the City, demonstrating the relationship between total residents, total households, and the number of school-age children that need to enroll in K-12 schools – whether those are public or private. While the City and the larger region have experienced historical depopulation, nuances in this trend have emerged within the past decade that show a possible divergence between

FIG. 3: COMPARISON OF TOTAL POPULATION TO TOTAL HOUSEHOLDS IN ST. LOUIS CITY 2010-2022



Source: ACS 1-Year Estimates, 2010-2019, 2021-2022; Decennial Census, 2020.

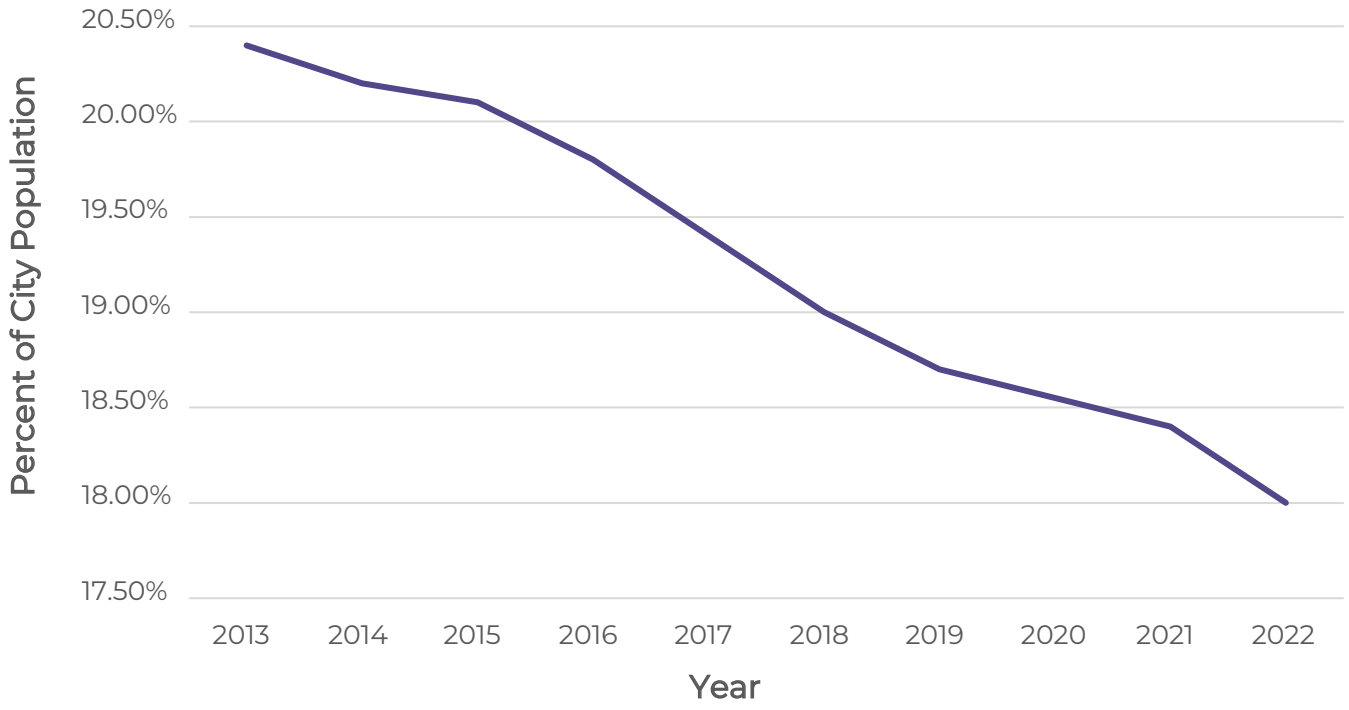
the City's population and the number of school-age children.

The analysis of population and household trends examines data over the past decade or more in the City using U.S. Census Decennial data and ACS 1-Year estimates. Since 2010, the City has lost more than 30,000 residents, or about 10% of the total population. However, the data shows a relatively slow pattern of depopulation more akin to a gradual annual attrition of residents, as opposed to the larger-scale exodus seen historically. During the same period, the total number of households in the City has gradually trended upward, increasing from 142,152 to 148,348 between 2010-2022. Migratory patterns in and out of the City have remained relatively stable. Between 2013-2022, approximately 79-85% of individuals maintained their place of residence within the City's municipal boundary. The remaining approximately 15-20% of individuals in- or out-migrated to and from surrounding counties or other communities in Missouri.

Admittedly, the data can paint a confusing portrait of trends. Although some time periods indicate relative stability while others see a decline in population, the topline data trend indicates a consistent annual attrition of residents. The data in Figure 3 shows a characteristic stair-step pattern of decline. Notably in 2021 and 2022, the population trend entered a new period of decline. Because this recent trend appears to be fast-moving, it is unknown if this trend will persist or abate in the coming years.

In contrast to the relatively persistent depopulation trend, patterns in the

FIG. 4: POPULATION UNDER 18 YEARS OLD IN ST. LOUIS CITY 2013-2022



Source: U.S. Census Bureau, ACS 1-Year Estimates, 2013-2022

number of households and average household size have regularly fluctuated since 2006. The sawtooth data pattern does not clearly indicate a long-term trend; however, some data points do help to illustrate a topline perspective. The average household size has decreased from 2.19 to 1.86 between 2013-2022, while the average family size has decreased from 3.26 to 2.68 between 2013-2022. Because the average household size is now below 2, many of these households are likely childless – which has a direct impact on SLPS enrollment. This apparent trend is supported by the drop in the share of population under 18 years of age, which has declined from 20.4% to 18% between 2013-2022, as well as the drop in the share of households with one or more individuals under 18 years of age, which dropped by 4 percentage points between 2013-2022. These trends indicate a possible divergence between the household creation rate and the number of households with children. If households continue to be created in the City but these households lack children, then a K-shaped pattern will likely appear where St. Louis City benefits from an increase in the number of households while SLPS suffers due to declining enrollment. Indeed, the number of students per 1,000 residents in the City has declined precipitously over time.

When these population trends are further broken down by race, ethnicity, and age, important sub-trends emerge. Certain demographic groups are exhibiting differing behaviors with respect to their in- and out-migration patterns within the City. The City's Hispanic/Latino

TABLE 1: CHANGES IN POPULATION COMPOSITION FOR THE CITY OF ST. LOUIS, 2013-2022

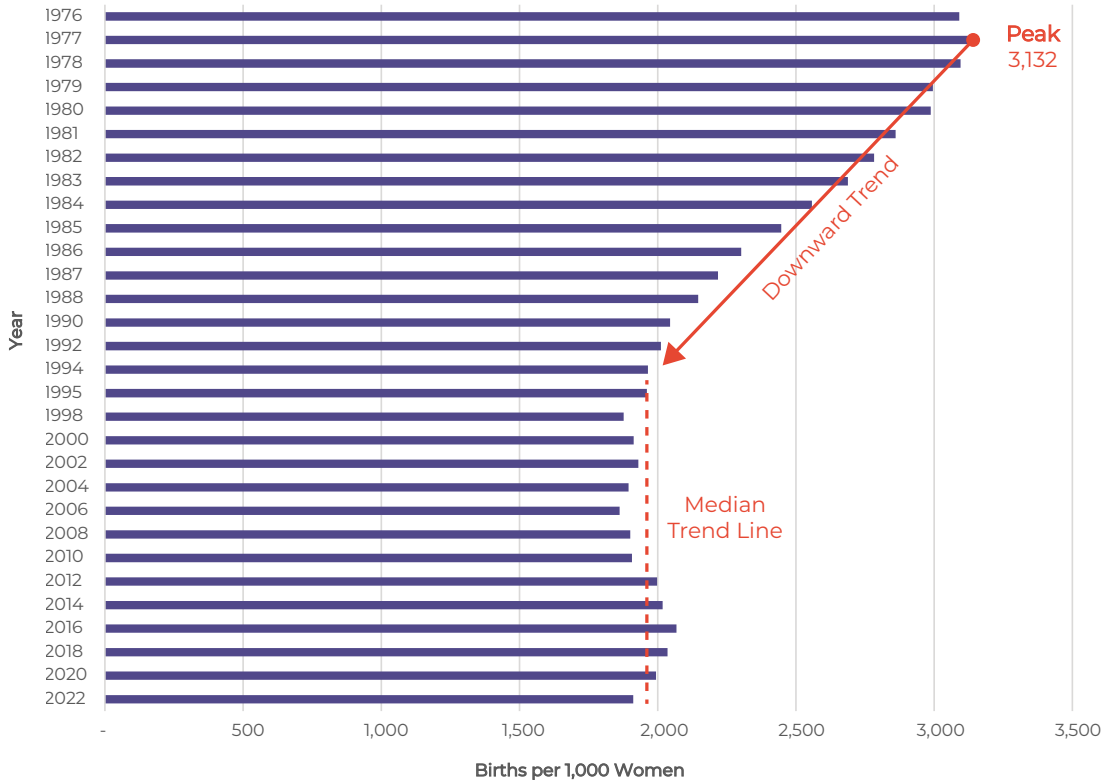
	2013	2022
RACE & ETHNICITY		
White	46.2%	46.4%
Black or African American	47.9%	42.1%
American Indian and Alaska Native	0.3%	0.1%
Asian	2.9%	3.8%
Native Hawaiian and Other Pacific Islander	0.0%	0.0%
Some Other Race	0.5%	2.0%
Two or More Races	2.2%	5.5%
Hispanic or Latino	3.7%	4.5%
AGE		
0-19	23.1%	20.6%
20-24	8.4%	6.3%
25-44	31.8%	34.3%
45-59	19.9%	16.8%
60+	17.0%	22.0%
MEDIAN INCOME	$34,582	$52,941

Source: ACS 1-Year Estimates; St. Louis City; Decennial Census, 2020. Median Income uses ACS 5-Year Estimates.

population share has increased between 2013-2022. Of the non-Hispanic/Latino population, the City has seen increases in White, Asian, and multi-racial individuals as a share of population, while the Black or African American share has declined significantly from 47.9% to 42.1% between 2013-2022. A breakdown of population trends by age group shows that the City is losing school-age children as well as college-age and early career young adults. The City is also losing late-career adults. This indicates that these age groups may be those most likely to have out-migrated in the past decade. The City's share of early- to mid-career adults and retirees/elderly have both increased – from 31.8% to 34.3% and 17% to 22%, respectively.

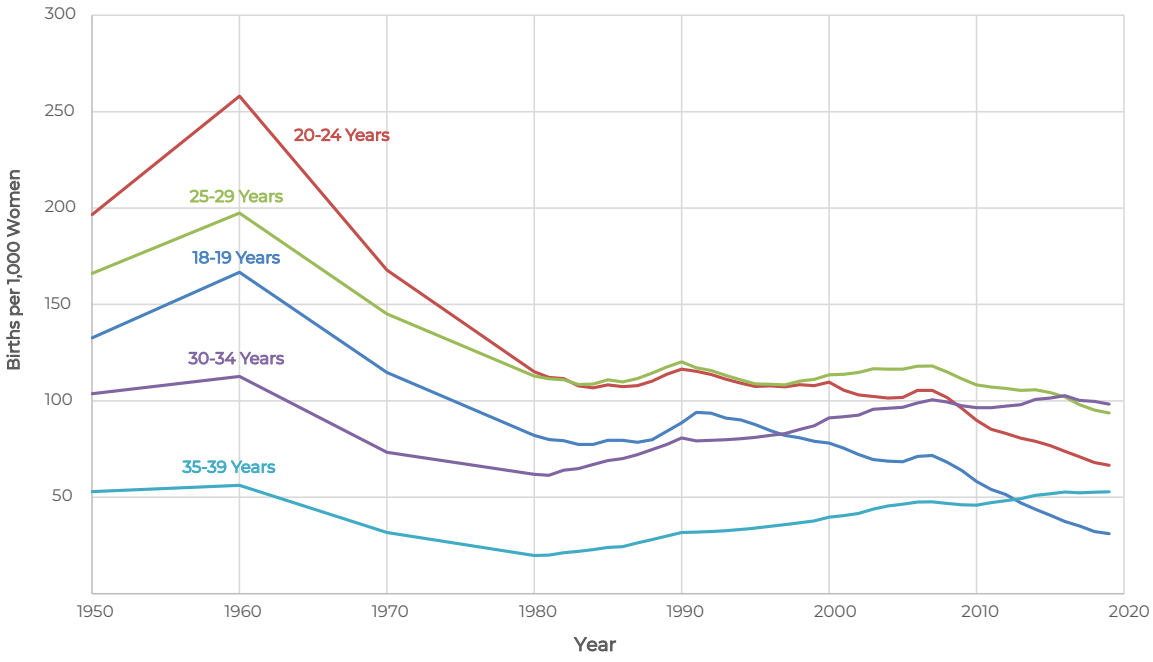
Though the demographic trends in the City show nuanced and counterintuitive patterns, they generally fit within the larger macro population trends for the United States as a whole. Because the country is facing a persistent demographic deficit, St. Louis should understand that its challenges are not unique. Figure 5 shows U.S. Census Current Population Survey data on the number of children ever born to women reaching the end of childbearing age, which has declined by roughly one-third since the 1970s-1980s. This demonstrates that in the United States broadly, women are not only delaying the age at which they have children, but also are having fewer children overall. These trends are also reflected in the crude birth

FIG. 5: NUMBER OF CHILDREN EVER BORN PER 1,000 WOMEN AGED 40-44
UNITED STATES, 1976-2022



Source: U.S. Census Bureau, Current Population Survey, 1976-2022

FIG. 6: BIRTHS PER 1,000 WOMEN BY AGE GROUP
UNITED STATES, 1950-2020



Source: U.S. CDC, National Center for Health Statistics, National Vital Statistics, 1950-2020

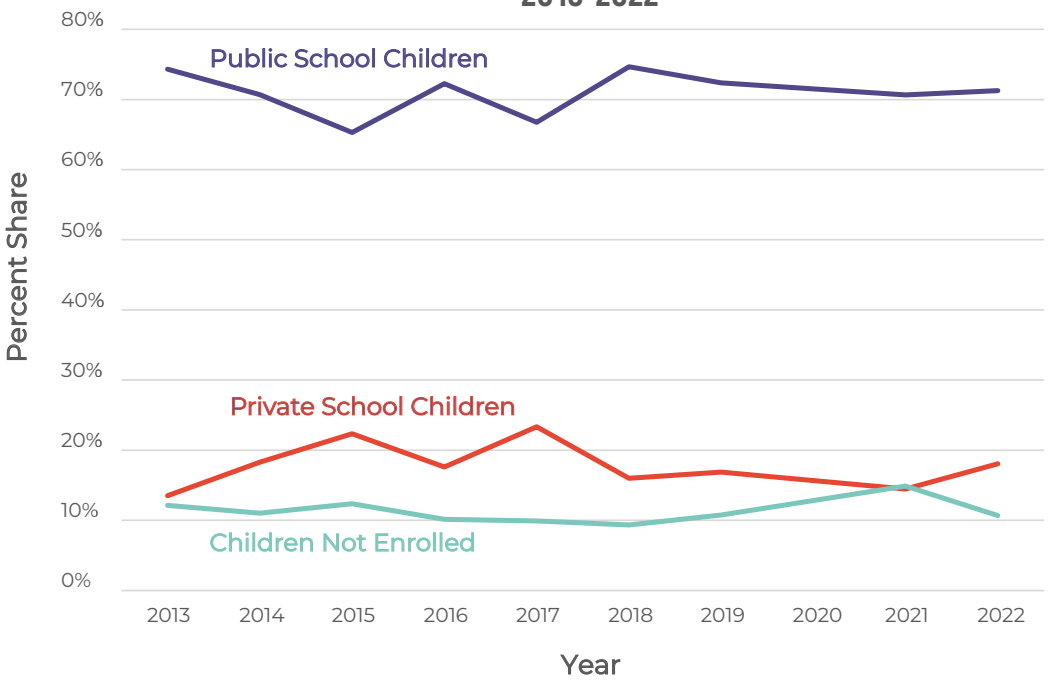
rate, which shows live births per 1,000 population. This rate has declined from 15.9 to 11.4 between 1980-2019. The fertility rate, which shows live births per 1,000 women aged 15-44, has declined from 68.4 to 58.3 between 1980-2019 (both data points are sourced from the U.S. Centers for Disease Control and Prevention's birth data tables). The decline in both of these rates has accelerated since 2010, suggesting that younger generations are delaying the age of childbearing and/or choosing not to have children.

The birth data by age group in Figure 6 shows a steep decline in births for younger generations of women – suggesting that the trend of having fewer to no children or delaying the age of childbirth will continue and perhaps intensify for Gen Z women. The impact of this continuing demographic shift on St. Louis as it seeks to repopulate will be a factor in the nexus analysis.

ST. LOUIS PUBLIC SCHOOLS (SLPS) ANALYSIS

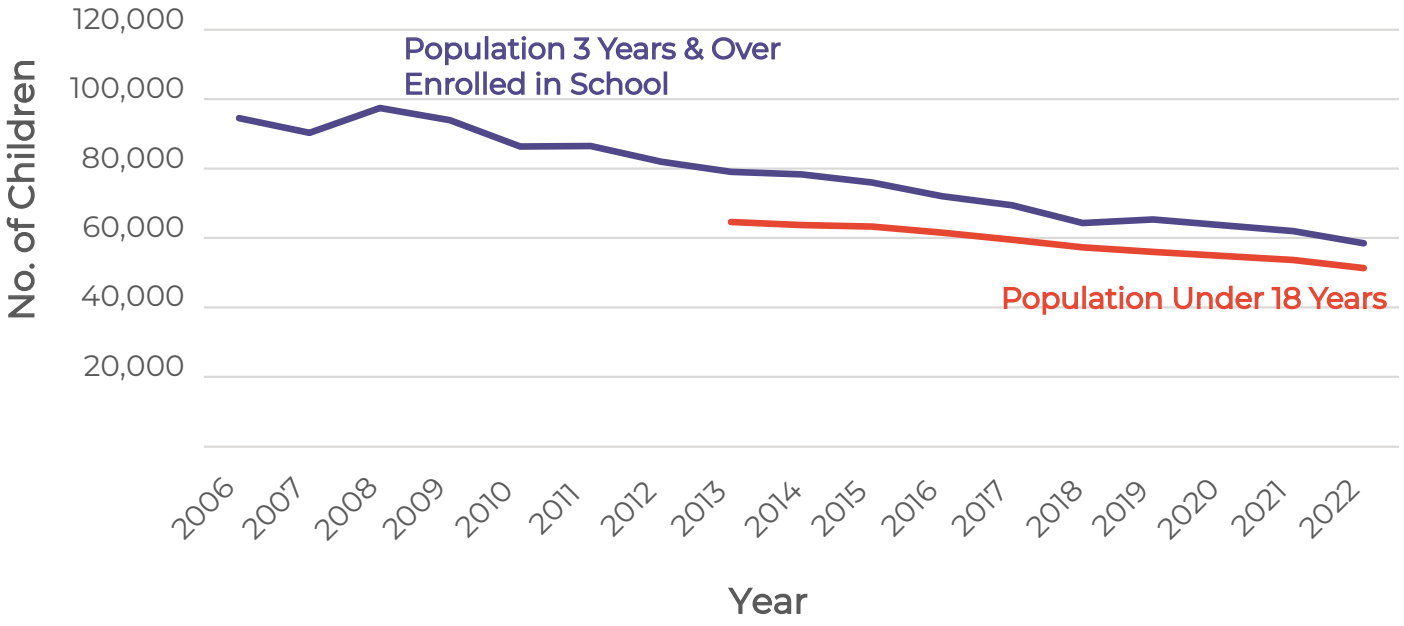
Historically, SLPS's enrollment trends are partially informed by the Metropolitan Voluntary Desegregation Settlement Plan, which was the result of a Federal lawsuit against SLPS for inferior quality of public schools based on race. The desegregation plan that resulted from this lawsuit required the creation of the St. Louis Student Transfer Program, which was later developed into the Voluntary Interdistrict Choice Corporation (VICC) Board. The program offered SLPS students the option to transfer to a participating school district in the broader St. Louis region. The program was initiated in 1981, and participation in the program increased during the 1980s and 1990s, with enrollment in the 1990s reaching over 13,000 students and nearly 1,500 students in magnet schools. The program has since been scheduled to sunset

FIG. 7: ENROLLMENT SHARES BY SCHOOL TYPE (UNDER AGE 18), ST. LOUIS CITY 2013-2022



Source: Census ACS 1-Year Estimates, 2013-2022; St. Louis City.

FIG. 8: TRENDS IN SCHOOL-AGE CHILDREN & SCHOOL ENROLLMENT, ST. LOUIS CITY 2006-2022



Source: Census ACS 1-Year Estimates, 2006-2022; Decennial Census, 2020; St. Louis City.

and is being phased out. The impact of the end of VICC is unknown as existing students enrolled in the program will be allowed to remain through high school graduation, while no new students will be enrolled moving forward. As a result, students that may have wished to enroll in VICC can no longer do so and will need to either attend SLPS, a magnet school, or a private school. This will likely change the composition of student populations in St. Louis schools as students no longer have access to suburban schools via transfer.

Variables related to school enrollment are sourced from the American Community Survey to gather additional perspectives on continued enrollment reductions in SLPS over the past several decades. The data shows the following:

- The shares of children enrolled in public schools versus private schools versus not enrolled in any school appear to be fairly constant; there is no clear trend of public school students moving to private school options within the City.
- In 2015 and 2017, the number of children enrolled in public versus private schools appeared to be correlated on an absolute level, with declines in public school enrollment occurring simultaneously with increases in private school enrollment. For example, in 2015, the number of children enrolled in public school declined by over 2,000 students while private school enrollment increased by roughly the same amount. However, the general trend is one of declining enrollment across all three categories, with the exception of 2021, when an increase in the number of children not enrolled in school was likely associated with the COVID-19 pandemic.

- ACS data shows an overall trend of school enrollment decline that roughly tracks the decline in the population under 18 years of age.

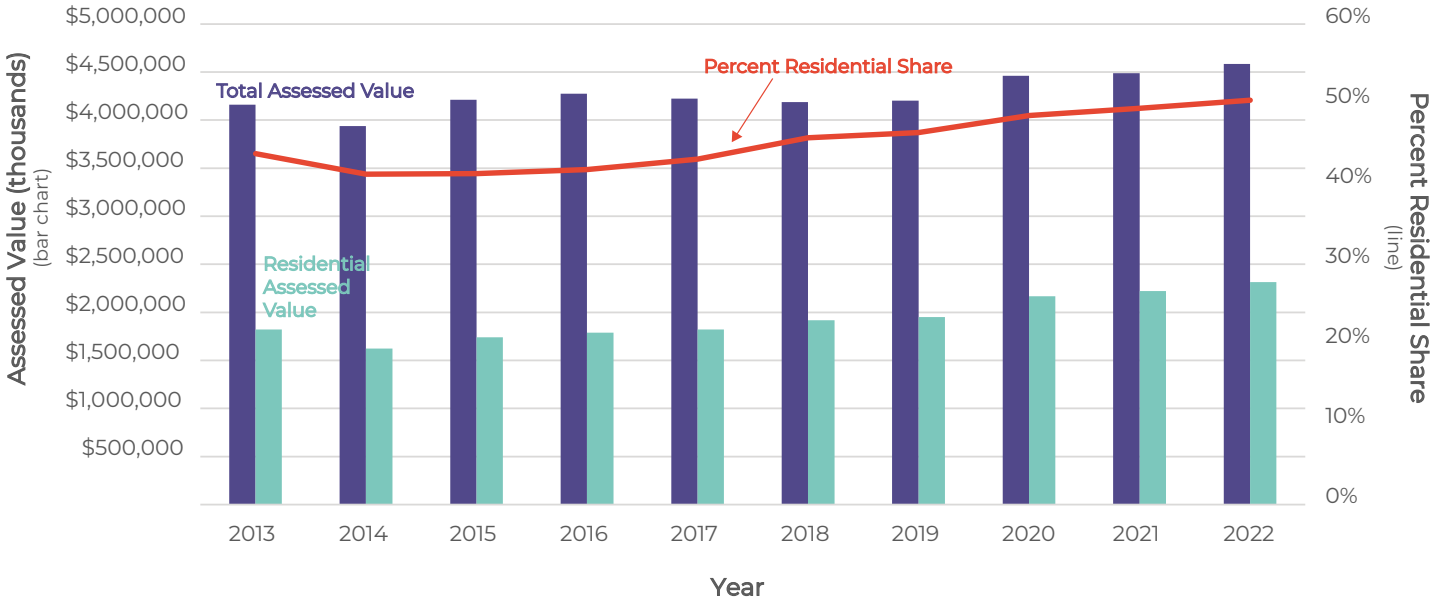
According to research conducted by the PRiME Center at St. Louis University and reported by St. Louis Public Radio (STLPR), eight school districts in the three counties surrounding St. Louis gained slightly more than 3,000 students between the 2016-17 and 2022-23 school years, while the remaining school districts lost just over a combined 15,000 students in that period. The PRiME Center also reports that though some charter schools grew during this time, the gain in students in these schools is also smaller than the SLPS enrollment decline alone. (Additional data on charter and parochial schools was not available and has not been included in this report.) This data appears to demonstrate that the St. Louis region overall is experiencing a loss of school-age population that is primarily driving declining enrollment in SLPS.

FINANCIAL REVIEW OF ST. LOUIS CITY & SLPS

Demographic and municipal revenue source trends in St. Louis City directly relate to the condition of SLPS. As the City has confronted a declining population, SLPS has seen a highly correlated loss of student enrollment. Though this is to be expected, the City's fiscal condition – particularly its property tax base – has seen stability and even gains in recent years. As a result, SLPS has been able to prevent more drastic budget cuts to services and facility closures. This pattern of declining enrollment alongside stable revenue sources appears to be indicative of the nuanced set of interrelated circumstances in the City.

According to a Missouri State Auditor report from May 2021, Missouri's Foundation Formula provides state funding to school districts "based on the districts' average daily attendance (ADA), increased by the weighted categories of free and reduced

FIG. 9: RESIDENTIAL PROPERTY ASSESSED VALUE TRENDS, ST. LOUIS CITY 2013-2022



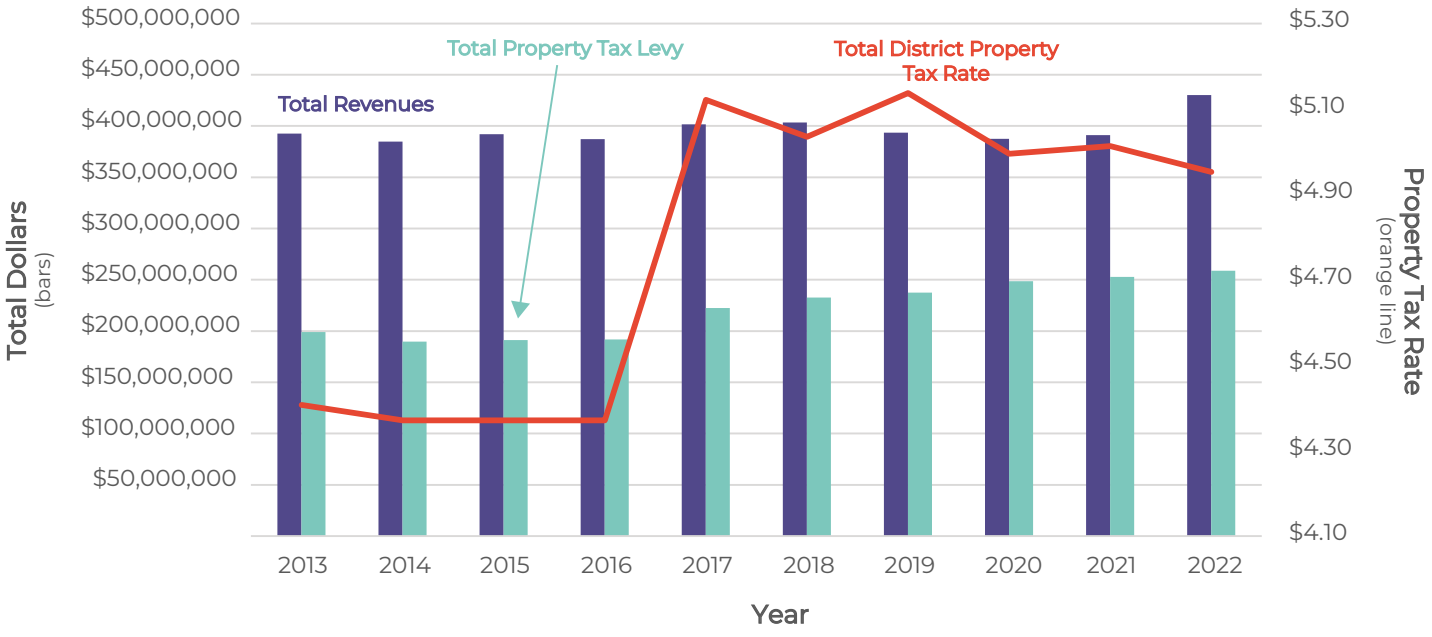
Source: SLPS ACFR, 2022.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Federal Sources:										
Federal Grants	$ 69,914,888	$ 66,754,939	$ 68,382,240	$ 64,955,725	$ 58,943,809	$ 54,418,338	$ 52,036,699	$ 52,220,996	$ 60,847,023	$ 68,246,368
State Sources:										
Basic Formula	47,993,155	41,073,121	43,220,793	40,045,997	35,689,505	30,097,942	19,483,118	8,480,283	8,551,302	10,519,852
Categorical Aid	18,735,282	21,634,247	20,816,533	19,172,451	18,259,168	19,760,854	19,022,736	16,762,088	8,807,705	9,873,239
Other	1,770,065	3,361,239	3,693,977	4,025,501	2,416,639	2,010,393	1,927,415	1,513,598	1,347,131	4,307,167
Total State Sources	68,498,502	66,068,607	67,731,303	63,243,949	56,365,312	51,869,189	40,433,269	26,755,969	18,706,138	24,700,258
Local Sources:										
Current Taxes	232,685,796	230,247,415	233,221,227	236,080,339	264,690,012	275,268,922	281,723,607	287,936,676	289,648,870	304,132,937
Delinquent Taxes	12,291,375	10,593,578	10,597,830	9,449,872	9,302,750	9,483,489	8,831,215	9,543,615	12,137,643	9,941,507
Investment Income (Loss)	717,324	981,363	(722,376)	1,089,266	22,521	1,612,778	3,136,108	583,653	1,075,329	1,489,341
Other	7,398,999	6,882,512	9,443,264	8,607,935	7,791,694	5,953,500	4,157,234	5,612,088	5,005,182	15,201,085
Total Local Sources	253,093,494	248,704,868	252,539,945	255,227,412	281,806,977	292,318,689	297,848,164	303,676,032	307,867,024	330,764,870
County Sources	3,816,264	3,818,547	3,934,366	4,187,338	4,020,601	3,947,664	3,754,029	4,368,131	4,952,778	5,242,276
Total Revenues	$ 395,323,148	$ 385,346,961	$ 392,587,854	$ 387,614,424	$ 401,136,699	$ 402,553,880	$ 394,072,161	$ 387,021,128	$ 392,372,963	$ 428,953,772
Instruction	$ 196,091,503	$ 184,367,041	$ 184,337,765	$ 171,860,832	$ 167,562,215	$ 170,260,895	$ 154,073,921	$ 153,342,170	$ 157,340,821	$ 155,182,678
Building Service	54,738,848	35,711,266	35,120,425	37,290,219	37,955,593	39,127,233	37,258,994	36,233,708	37,301,962	40,193,267
School Administration	34,510,541	33,875,490	39,097,293	39,596,739	33,630,536	35,201,604	32,652,908	35,137,924	42,568,941	44,261,701
Instructional Support	35,476,531	38,097,954	33,756,468	32,299,389	32,729,579	33,144,821	44,811,529	42,290,220	48,045,264	41,151,066
Noninstructional Support	20,921,691	24,771,470	21,959,258	19,401,899	16,366,203	16,317,940	15,703,446	13,417,651	14,287,442	13,867,559
Transportation	22,644,514	22,856,679	24,981,196	24,409,099	25,214,974	27,006,271	27,973,178	20,369,598	20,516,001	25,487,239
Food and Community Services	21,580,355	22,824,630	36,167,484	37,302,947	34,475,107	34,803,178	34,410,958	32,579,556	27,327,430	28,845,819
Capital Outlay	41,449,414	37,596,787	19,891,584	10,850,229	5,042,998	1,230,248	3,153,844	7,899,726	6,474,927	9,100,621
Debt Service:										
Principal Retirement	15,925,000	16,735,000	17,685,000	18,640,000	19,640,000	20,670,000	21,970,000	23,470,000	25,340,000	20,540,000
Interest Charges	9,631,735	9,999,434	9,568,896	8,584,241	8,801,028	7,413,782	9,216,137	7,587,214	5,391,550	4,075,436
Bond Issuance Costs	661,336	—	—	261,861	—	552,209	—	—	—	—
Payments to Escrow Agent	—	—	—	—	—	—	—	—	—	—
Total Expenditures	$ 453,631,468	$ 426,835,751	$ 422,565,369	$ 400,497,455	$ 381,418,233	$ 385,728,181	$ 381,224,915	$ 372,327,767	$ 384,594,338	$ 382,705,386

FIG. 10: EXCERPT OF 2022 SLPS ACFR DETAILING REVENUE & EXPENDITURES

Source: SLPS ACFR, 2022; Governmental Funds.

FIG. 11: ST. LOUIS PUBLIC SCHOOLS REVENUE TRENDS, 2013-2022

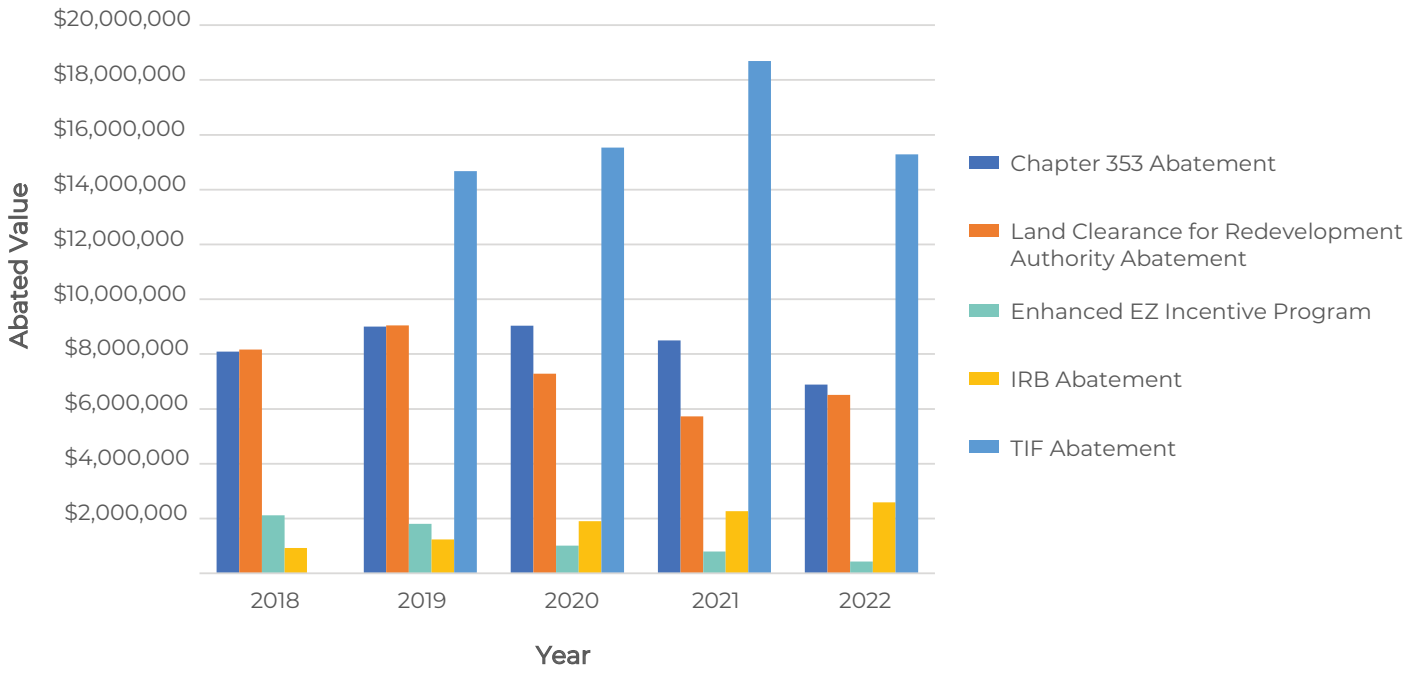


Source: SLPS ACFRs, 2013-2022.

lunches, Special Education, and limited English proficiency students; multiplied by the State Adequacy Target (SAT); multiplied by the Dollar Value Modifier; and reduced by the local effort. The SAT is the average operating expenditures of the top 25 percent of school districts with the highest scores on the Annual Performance Report. The Foundation Formula contains a hold harmless provision, which states no district shall receive less state aid per student under the formula than it received in school years 2005 and 2006." Missouri state funding via the Foundation Formula is roughly 50% of the value of local school funding sources statewide, but reductions in state funding due to enrollment declines can have a significant impact on school finances.

Figures 9 and 10 show revenue and expenditure trends for SLPS's governmental funds over the past 10 years. Local revenue sources have propped up SLPS's financials and comprise a far larger share of District revenues than the State Auditor report indicates is the average statewide. State revenue sources have declined steeply since 2013 with enrollment declines likely playing a significant role. Foundation Formula funding fell from nearly $48 million in 2013 to roughly $10.5 million in 2022, a decline of nearly 80%. This trend was exacerbated by the COVID-19 pandemic but was evident in pre-pandemic years. Conversely, local current tax revenue, of which roughly 75% is property tax, increased by approximately 31% over this 9-year period, which equates to an annual increase of approximately 3.4%. Figure 11 shows that the District's property tax levy increased with a property tax rate increase in 2017 as well as with overall increases in assessed values in the City over the past few years.

FIG. 12: ST. LOUIS PUBLIC SCHOOLS PROPERTY TAX ABATEMENT VALUES, 2018-2022



Source: SLPS ACFRs, 2018-2022.

With respect to expenditures, it appears the SLPS has been able to reduce its largest line items over the past 10 years as state revenues and enrollment have declined. School administration, instructional support, transportation, and food and community services expenditures have grown, but the growth in these items has been far smaller than the cuts the SLPS has been able to make in other areas, keeping the district's finances in a workable position. A recent general obligation bond issue by the district in 2023 was assigned an AA- long-term rating with a stable outlook by S&P Global Ratings. S&P cited "the District's growing tax base at the heart of a broad and diverse metro area, robust reserve position, good financial management practices and policies, and manageable debt and liability profile."

As has been reported by local TV media in St. Louis, SLPS is anticipating a substantial amount of repairs and deferred maintenance on its existing schools. These costs are estimated at $1.8 billion in CY24 due to maintenance needed over the next 20 years. Additionally, the District is anticipated to have an operating deficit of $133 million due to the expiration of Federal pandemic-era relief funds. These financial challenges, in conjunction with declining enrollment, continue to place stress on the District.

Figure 12 shows that property tax abatements have resulted in lost revenue for SLPS of around $30-35 million annually since 2019. Despite SLPS's reliance on local revenue sources and the stability they bring to the District's budget, the use of property tax abatement should be a point of care given the District's need to adjust its operations to match the continuing reality of lower enrollment levels.

These factors emphasize the nuance of SLPS's financial position. While the District needs to stabilize its operations and boost revenue sources, it is also reliant on the City's tax base. Thus, this balancing act calls for the judicious management of economic development tools in the City, but also demands that the City be revitalized to continue to boost property tax revenues.


Budweiser

3 INCENTIVIZED PROJECTS

The SLDC's project data and annual compliance reporting from clients illustrates the history of incentive use in the City from 2017-2024. The data indicates a large volume of projects have been proposed in the seven-year period across a variety of uses and neighborhoods in St. Louis. This deal flow is indicative of reasonably strong market activity in the City and appears to indicate that developers are delivering projects to satisfy demand across residential, commercial, and industrial use types.

Overall, the potential outcomes of these projects indicate sizeable positive impacts at a macro level for St. Louis City. These anticipated outcomes demonstrate relative strength in the project delivery pipeline. If these investment trends hold constant or begin to increase, this could be a show of market momentum toward reinvestment in the City. Projects with fully approved incentives that are either completed or nearing construction completion have been presented separately in data tables in this section, and the impacts of these projects are considered "delivered or near-delivered." The tables in this section also present totals for all projects (including proposed projects at some stage of incentive approval) to show aggregate projected project impacts for the study time period. The observable incentive trends at a City-wide level include:

- The proposal of 321 projects approved or partially approved (and the delivery or near-delivery of 275 of those projects) over seven years across multiple neighborhoods using a variety of incentive programs to structure the project financing – notably tax abatements as the most widely used program;
- The delivery or near-delivery of 9,832 new housing units, 2,619 hotel rooms, nearly 1.3 million square feet of retail space, and over 4.5 million square feet of office and industrial space as proposed, demonstrating a wide-ranging impact;
- The proposed creation of 14,897 direct jobs, with 11,473 delivered or nearly delivered, across all project use types; and,
- A potential overall capital investment of $6.99 billion, with nearly $5.2 billion being delivered or near-delivered, per annual reporting from SLDC for 2017-2024.

The spatial trends in the geographic distribution of projects across the city are varied. Clustering is evident in parts of the Central Corridor and South St. Louis that would indicate certain neighborhoods or local property markets are attracting investment, while other projects are scattered throughout the City. The distribution of projects by aldermanic wards does indicate that some wards are benefiting from projects more than others, but the unique physical shapes of the wards make comparisons difficult. Incentive data is reported by ward in Tables 3a and 3b, demonstrating the concentration of projects in certain wards, but discernible spatial trends are not necessarily evident.

Given the historical context of St. Louis, the analysis understood that Delmar Boulevard has previously held as a reasonable geographic proxy between North and South St. Louis. Commonly known as the "Delmar Divide," the thoroughfare bisects St. Louis from the Mississippi River, through Downtown, and out to the west side.[4] Due to the size of St. Louis, identifying geographic dividers as proxies for analysis helped to better parse the incentive data. Both North and South St. Louis show sizeable

Section Title Image: Seymour Streets via Facebook

project activity from 2017-2024. Though South St. Louis has clearly benefited more than North St. Louis from project impacts, the North Side has still demonstrated sufficient market activity to support some residential, commercial, and industrial investment.

When additional geographies are used to further parse the data, the dense clustering of projects in and around Downtown become clearer within the context of the Central Corridor. Generally defined as including Downtown, Midtown, the Central West End, and Forest Park, data shows a concentration of incentivized projects extending westward through the Corridor. This linear cluster pattern is simultaneously pushing market forces north and south into surrounding neighborhoods. Tables 4a and 4b detail anticipated project outcomes in North St. Louis, the Central Corridor, and South St. Louis.

Note: Where sourced, SLDC staff asssisted this analysis in filtering annual project reporting data for 2017-2024.

EXPLAINER: DELMAR DIVIDE, CENTRAL CORRIDOR, & COSTAR SUBMARKETS

Of St. Louis' various districts, neighborhoods, and corridors, different geographies were utilized in this analysis to contextualize the spatial patterns within historical considerations for the City and emerging market behaviors based on reinvestment trends. This approach was meant to align the analysis with current and future market potential, while being respectful of historical neighborhood patterns in St. Louis.

Running east to west along Delmar Boulevard, the Delmar Divide historically demarcated White St. Louis from Black St. Louis. As an embodiment of the legacy of racial identity in the City's urban spaces, the vestiges of that segregation have persisted into the present with the divide between White and Black neighborhoods closely mirroring the Boulevard. This historical legacy has far-reaching consequences for future generations. Key themes emerge related to educational attainment, public health, safety and security, financial wellbeing, small business development, and wealth creation that demonstrate the multi-generational outcomes in the community.

The Central Corridor has emerged in recent years as a market geography created by substantial reinvestment in Downtown. Expanding west into Midtown, the Central West End, and Forest Park, the Corridor has developed as a dense spatial pattern of reinvestment. This behavior has pushed market forces into North St. Louis in a tiered pattern and into South St. Louis in a cluster pattern.

These geographies also closely align with CoStar's delineation of submarkets for the City's multi-family, retail, office, and industrial real estate data. By comparing these geographies, this analysis was able to balance the cultural memory of the City with real estate realities. Though not represented in maps, geographies from SLDC's *Economic Justice Action Plan* (2022) were also considered.

TABLE 2A: ESTIMATED OUTCOMES OF INCENTIVIZED PROJECTS APPROVED OR DELIVERED[1], 2017-2024

		RESIDENTIAL	COMMERCIAL			
PROJECT TYPE	JOBS	Total Units	Hotel Rooms	Retail (sq. ft.)	Office (sq. ft.)	Industrial (sq. ft.)
Single Family	-	402	-	-	-	-
Multi-Family	40	3,829	-	-	-	-
Mixed-Use	4,155	5,601	643	597,998	551,926	74,627
Commercial	2,146	-	-	387,664	193,991	1,114,805
Retail	844	-	-	297,907	-	-
Office	2,465	-	-	5,000	1,134,054	-
Industrial	879	-	-	-	-	1,474,285
Hotel	944	-	1,976	5,000	-	-
Grand Total	**11,473**	**9,832**	**2,619**	**1,293,569**	**1,879,971**	**2,663,717**

[1] Projects that have completed construction or are under construction and the incentive is activated or has been fully approved. This provides an estimate of the impacts of projects that have been or will be fully delivered.

Source: Pivot Tables by SLDC Staff and Annual Project Reporting Data, 2017-2024.

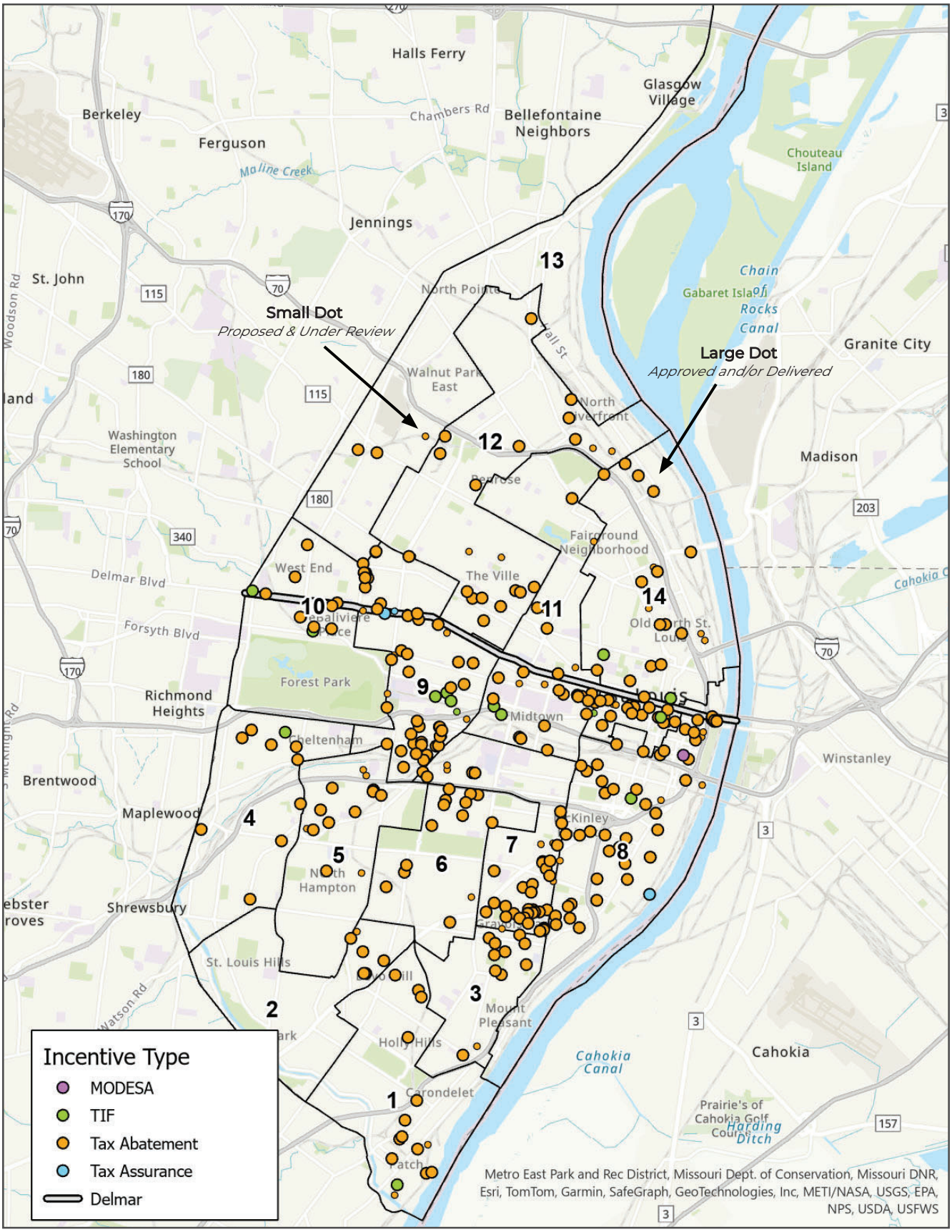
TABLE 2B: ESTIMATED OUTCOMES OF INCENTIVIZED PROJECTS UNDER REVIEW, APPROVED, OR DELIVERED[2], 2017-2024

		RESIDENTIAL	COMMERCIAL			
PROJECT TYPE	JOBS	Total Units	Hotel Rooms	Retail (sq. ft.)	Office (sq. ft.)	Industrial (sq. ft.)
Single Family	-	755	-	-	-	-
Multi-Family	52	4,179	-	-	-	-
Mixed-Use	6,126	7,810	833	811,285	929,009	821,527
Commercial	2,968	-	-	409,672	368,129	1,138,805
Retail	909	-	-	314,839	-	-
Office	2,467	-	-	5,000	1,194,554	-
Industrial	1,432	-	-	-	-	2,372,146
Hotel	944	-	1,976	5,000	-	-
Grand Total	**14,897**	**12,744**	**2,809**	**1,545,796**	**2,491,692**	**4,332,478**

[2] Projects in Table 2a as well as projects that have received at least Development Board approval (but have not yet received final approval) and are still planning to construct (have not yet canceled or placed the project on hold). This provides an estimate of the possible total impact of projects that still may yet be approved/activated and delivered.

Source: Pivot Tables by SLDC Staff and Annual Project Reporting Data, 2017-2024.

FIG. 13: PROJECTS BY INCENTIVE TYPE & CITY WARD



Data & Map Source: SLDC Staff and Annual Reporting, 2017-2024.

TABLE 3A: PREVIOUS PROJECTS APPROVED OR DELIVERED[1] BY INCENTIVE TYPE & CITY WARD, 2017-2024

INCENTIVE TYPE	CITY WARD														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
MODESA															
Mixed-Use	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
Sub-Total	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
TAX ABATEMENT															
Single Family	4	3	7	-	5	6	15	5	8	7	1	3	-	2	66
Multi-Family	3	1	2	4	2	3	15	11	9	8	3	4	1	7	73
Mixed-Use	2	1	1	1	-	2	1	11	8	4	9	-	-	5	45
Commercial	1	-	-	3	2	1	2	6	1	2	3	3	-	4	28
Retail	-	-	-	-	-	1	1	2	-	1	1	1	1	-	8
Office	-	-	-	1	-	-	-	3	1	-	2	-	-	2	9
Industrial	2	-	-	-	-	-	1	2	1	-	2	4	1	5	18
Hotel	-	-	-	-	-	-	-	2	1	-	2	1	-	5	11
Sub-Total	12	5	10	9	9	13	35	42	29	22	23	16	3	30	258
TAX ASSURANCE															
Commercial	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1
Industrial	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
Sub-Total	-	-	-	-	-	-	-	1	1	-	-	-	-	-	2
TAX INCREMENT FINANCE (TIF)															
Mixed-Use	-	-	-	1	-	-	-	-	-	1	1	-	-	1	4
Commercial	-	-	-	-	-	-	-	-	-	1	-	-	-	-	1
Retail	-	-	-	-	-	-	-	1	-	-	1	-	-	-	2
Office	-	-	-	-	-	-	-	-	3	-	-	-	-	2	5
Industrial	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Hotel	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1
Sub-Total	1	-	-	1	-	-	-	1	4	2	2	-	-	3	14
Total Projects *(All Incentive Types)*	**13**	**5**	**10**	**10**	**9**	**13**	**35**	**45**	**34**	**24**	**25**	**16**	**3**	**33**	**275**

[1] *Projects that have completed construction or are under construction and the incentive is activated or has been fully approved. This provides a list of projects that have been or will be fully delivered.*

Source: Pivot Tables by SLDC Staff and Annual Project Reporting Data, 2017-2024.

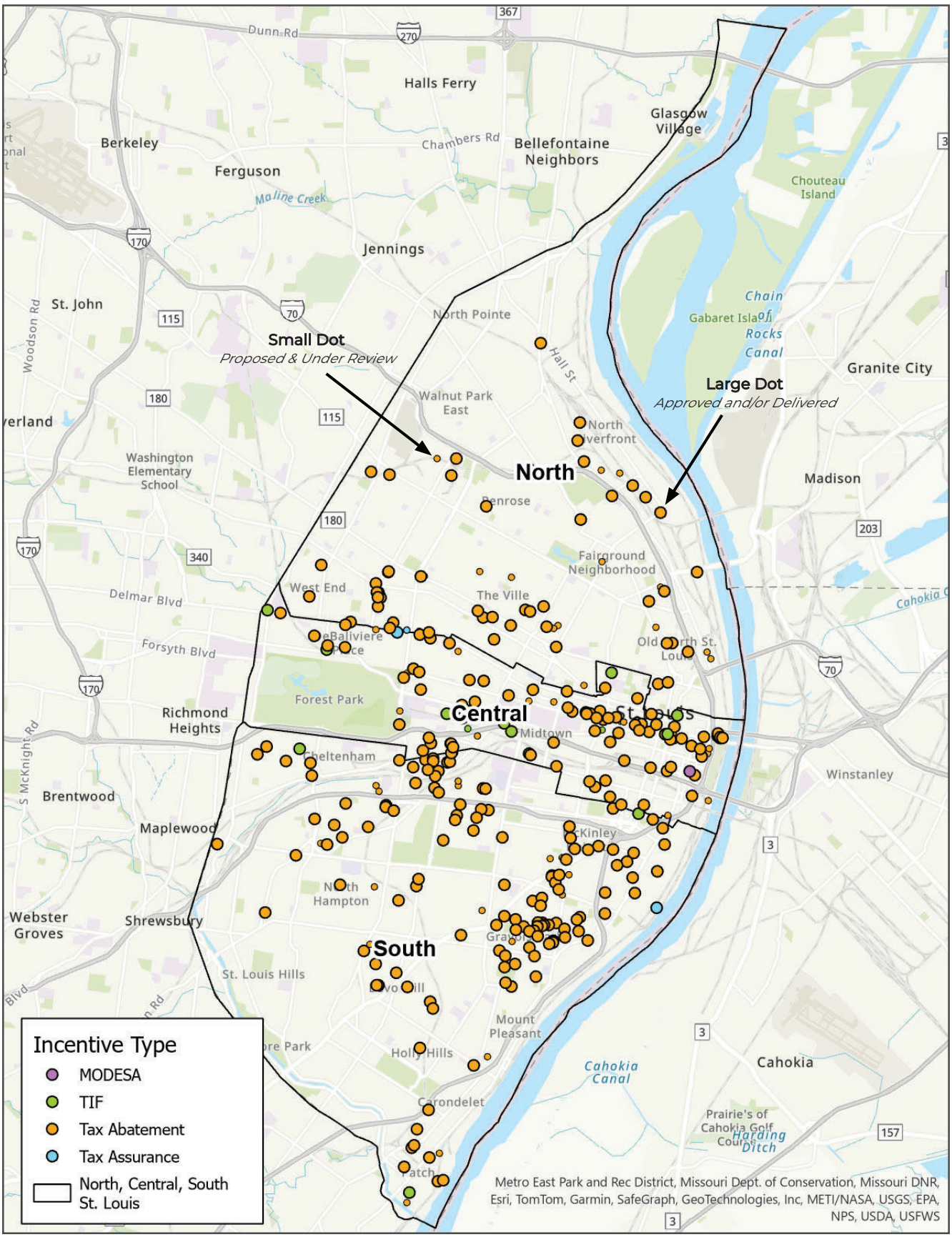
TABLE 3B: PREVIOUS PROJECTS UNDER REVIEW, APPROVED, OR DELIVERED[2] BY INCENTIVE TYPE & CITY WARD, 2017-2024

INCENTIVE TYPE	CITY WARD														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
MODESA															
Mixed-Use	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
Sub-Total	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
TAX ABATEMENT															
Single Family	4	4	7	-	6	6	15	5	9	7	1	3	-	3	70
Multi-Family	3	1	2	4	2	3	19	10	10	9	3	5	1	5	77
Mixed-Use	2	1	2	1	-	2	2	16	8	3	12	1	-	9	59
Commercial	1	-	-	3	2	1	2	7	2	3	5	3	-	7	36
Retail	-	-	-	-	-	1	1	2	1	1	1	2	1	-	10
Office	-	-	-	1	-	-	1	3	2	-	3	-	-	2	12
Industrial	4	-	-	-	3	-	1	1	1	-	2	6	2	5	25
Hotel	-	-	-	-	-	-	-	2	1	-	2	1	-	5	11
Sub-Total	14	6	11	9	13	13	41	46	34	23	29	21	4	36	300
TAX ASSURANCE															
Commercial	-	-	-	-	-	-	-	-	1	1	-	-	-	-	2
Industrial	-	-	-	-	-	-	-	1	-	-	-	-	-	-	1
Sub-Total	-	-	-	-	-	-	-	1	1	1	-	-	-	-	3
TAX INCREMENT FINANCE (TIF)															
Mixed-Use	-	-	-	1	-	-	-	-	1	2	1	-	-	1	6
Commercial	-	-	-	-	-	-	-	-	-	1	-	-	-	-	1
Retail	-	-	-	-	-	-	-	1	-	-	1	-	-	-	2
Office	-	-	-	-	-	-	-	-	3	-	-	-	-	3	6
Industrial	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Hotel	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1
Sub-Total	1	-	-	1	-	-	-	1	5	3	2	-	-	4	17
Total Projects *(All Incentive Types)*	**15**	**6**	**11**	**10**	**13**	**13**	**41**	**49**	**40**	**27**	**31**	**21**	**4**	**40**	**321**

[2] Projects in Table 3a as well as projects that have received at least Development Board approval (but have not yet received final approval) and are still planning to construct (have not yet canceled or placed the project on hold). This provides an estimate of the possible total impact of projects that still may yet be approved/activated and delivered.

Source: Pivot Tables by SLDC Staff and Annual Project Reporting Data, 2017-2024.

FIG. 14: PROJECTS BY INCENTIVE TYPE IN NORTH, CENTRAL, & SOUTH ST. LOUIS



Data & Map Source: SLDC Staff and Annual Reporting, 2017-2024.

TABLE 4A: PROJECT OUTCOMES (APPROVED OR DELIVERED[1]) BY LOCATION IN NORTH, CENTRAL, & SOUTH ST. LOUIS, 2017-2024

		RESIDENTIAL	COMMERCIAL			
	Jobs	Total Units	Hotel Rooms	Retail (sq. ft.)	Office (sq. ft.)	Industrial (sq. ft.)
NORTH						
Single Family	-	45	-	-	-	-
Multi-Family	19	1,203	-	-	-	-
Mixed-Use	618	155	-	13,259	162,433	-
Commercial	271	-	-	-	2,000	944,086
Retail	33	-	-	37,680	-	-
Office	-	-	-	-	-	-
Industrial	172	-	-	-	-	955,145
Hotel	124	-	58	-	-	-
Sub-Total	1,237	1,403	58	50,939	164,433	1,899,231
CENTRAL CORRIDOR						
Single Family	-	16	-	-	-	-
Multi-Family	8	1,245	-	-	-	-
Mixed-Use	3,145	4,443	643	490,055	371,138	74,627
Commercial	1,604	-	-	382,500	156,018	10,000
Retail	747	-	-	251,577	-	-
Office	2,122	-	-	5,000	980,857	-
Industrial	475	-	-	-	-	110,000
Hotel	820	-	1,918	5,000	-	-
Sub-Total	8,921	5,704	2,561	1,134,132	1,508,013	194,627
SOUTH						
Single Family	-	341	-	-	-	-
Multi-Family	13	1,381	-	-	-	-
Mixed-Use	392	1,003	-	94,684	18,355	-
Commercial	271	-	-	5,164	35,973	160,719
Retail	64	-	-	8,650	-	-
Office	343	-	-	-	153,197	-
Industrial	232	-	-	-	-	409,140
Hotel	-	-	-	-	-	-
Sub-Total	1,315	2,725	-	108,498	207,525	569,859
Total	**11,473**	**9,832**	**2,619**	**1,293,569**	**1,879,971**	**2,663,717**

[1] *Projects that have completed construction or are under construction and the incentive is activated or has been fully approved. This provides a list of projects that have been or will be fully delivered.*

Source: Pivot Tables by SLDC Staff and Annual Project Reporting Data, 2017-2024.

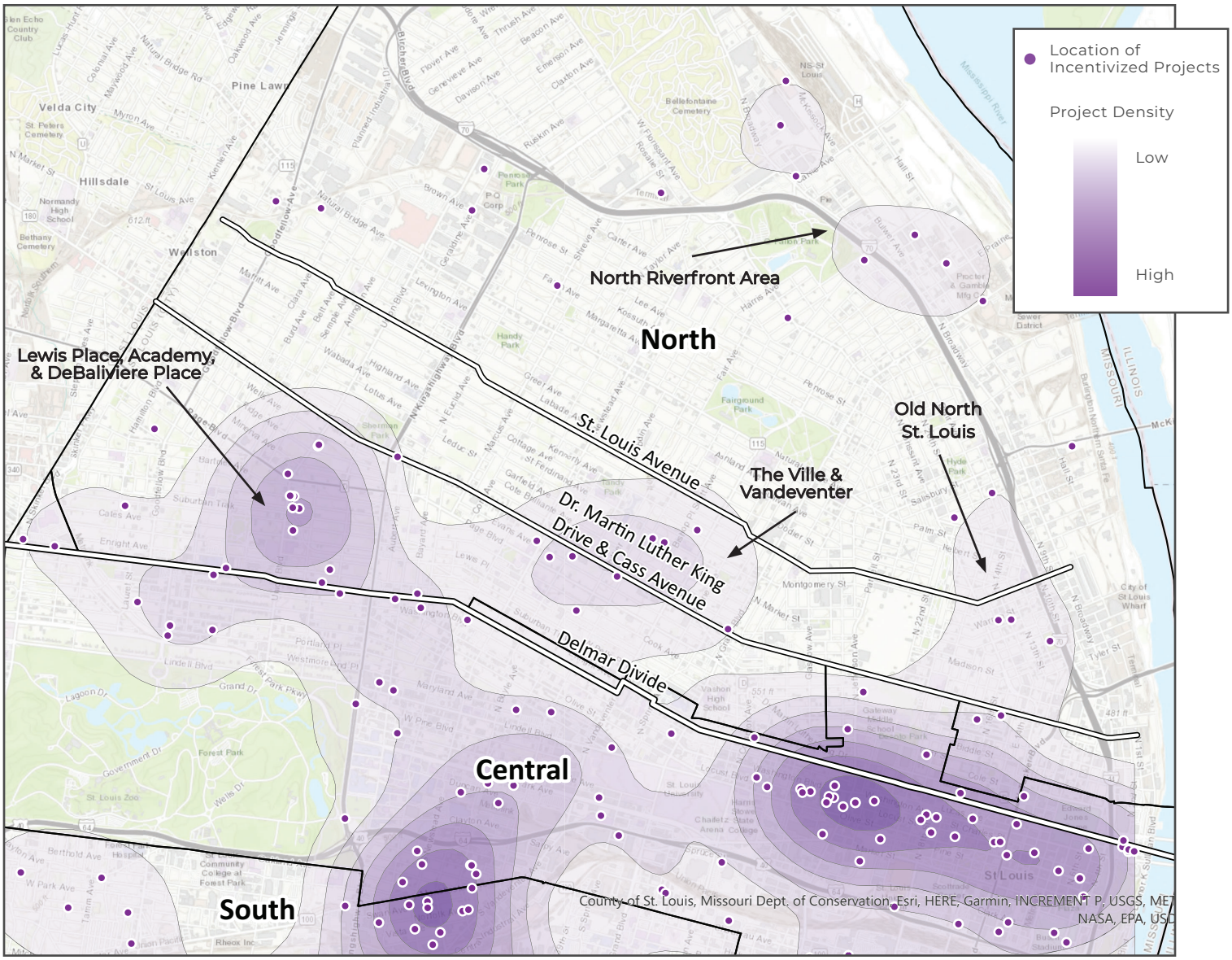
TABLE 4B: PROJECT OUTCOMES (UNDER REVIEW, APPROVED, OR DELIVERED[2]) BY LOCATION IN NORTH, CENTRAL, & SOUTH ST. LOUIS, 2017-2024

		RESIDENTIAL	COMMERCIAL			
	Jobs	Total Units	Hotel Rooms	Retail (sq. ft.)	Office (sq. ft.)	Industrial (sq. ft.)
NORTH						
Single Family	-	49	-	-	-	-
Multi-Family	19	1,225	-	-	-	-
Mixed-Use	1,071	582	-	59,585	162,433	-
Commercial	429	-	-	5,850	50,900	944,086
Retail	58	-	-	48,870	-	-
Office	-	-	-	-	19,000	-
Industrial	634	-	-	-	-	1,735,856
Hotel	124	-	58	-	-	-
Sub-Total	2,335	1,856	58	114,305	232,333	2,679,942
CENTRAL CORRIDOR						
Single Family	-	17	-	-	-	-
Multi-Family	14	1,515	-	-	-	-
Mixed-Use	4,505	6,111	833	657,016	663,221	821,527
Commercial	2,268	-	-	398,658	281,256	34,000
Retail	747	-	-	251,577	-	-
Office	2,122	-	-	5,000	1,016,857	-
Industrial	475	-	-	-	-	110,000
Hotel	820	-	1,918	5,000	-	-
Sub-Total	10,951	7,643	2,751	1,317,251	1,961,334	965,527
SOUTH						
Single Family	-	689	-	-	-	-
Multi-Family	19	1,439	-	-	-	-
Mixed-Use	550	1,117	-	94,684	103,355	-
Commercial	271	-	-	5,164	35,973	160,719
Retail	104	-	-	14,392	-	-
Office	345	-	-	-	158,697	-
Industrial	323	-	-	-	-	526,290
Hotel	-	-	-	-	-	-
Sub-Total	1,612	3,245	-	114,240	298,025	687,009
Total	**14,897**	**12,744**	**2,809**	**1,545,796**	**2,491,692**	**4,332,478**

[2] Projects in Table 4a as well as projects that have received at least Development Board approval (but have not yet received final approval) and are still planning to construct (have not yet canceled or placed the project on hold). This provides an estimate of the possible total impact of projects that still may yet be approved/activated and delivered.

Source: Pivot Tables by SLDC Staff and Annual Project Reporting Data, 2017-2024.

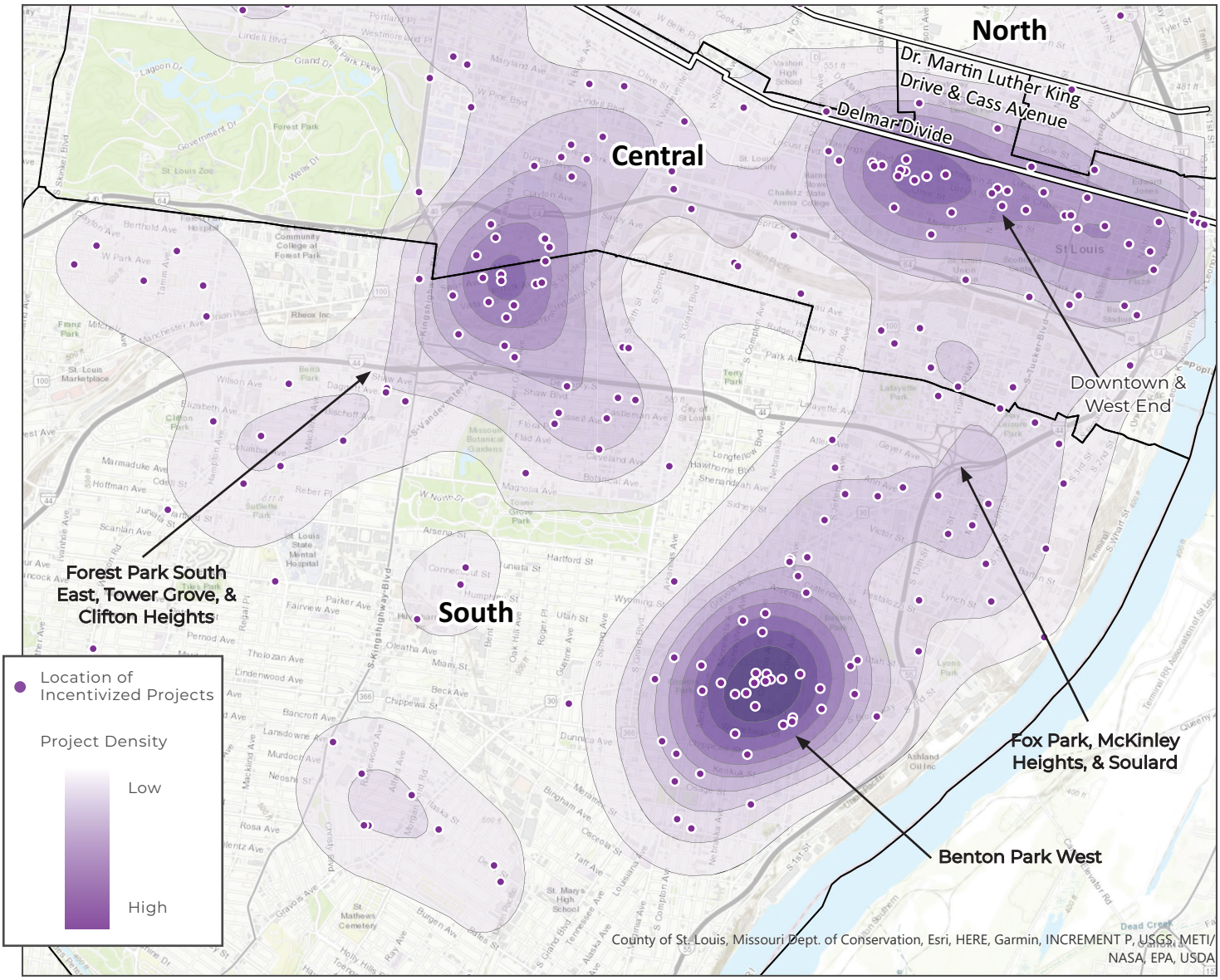
FIG. 15: NORTH ST. LOUIS INVESTMENT PATTERNS



Though incentivized projects are less dense north of Delmar Boulevard in North St. Louis, the spatial patterns of project locations reveal market behaviors. Investment concentrations along Delmar Boulevard show density along the Central Corridor in Downtown, Midtown, Central West End, and the neighborhoods north of Forest Park. These densities of investment are pushing market forces northward with patterns initially revealing two tiers of clusters. One tier is naturally demarcated along Dr. Martin Luther King Drive – approximately eight blocks in width, while the second tier ends along St. Louis Avenue at approximately nine blocks in width.

Note: The dots and density mapping represent projects that have completed construction or are under construction and the incentive is activated or has been fully approved.

FIG. 16: SOUTH ST. LOUIS INVESTMENT PATTERNS



In contrast to the spatial pattern of investment tiers developing in North St. Louis, density patterns have developed in the Central Corridor and South St. Louis indicative of investment clusters. Two higher-density clusters have developed south of Downtown: one in Forest Park South East with elements that push through Tower Grove into Clifton Heights, and a second that exhibits a barbell pattern with a northern element concentrated in Fox Park, McKinley Heights, and Soulard pushing into the southern element in Benton Park West. Each of these clusters exhibits expansionary behavior suggesting that they could enlarge with further investment.

Note: The dots and density mapping represent projects that have completed construction or are under construction and the incentive is activated or has been fully approved.

ASSESSING CHALLENGING MARKET CONDITIONS IN ST. LOUIS CITY

Macro-level conditions in the St. Louis metro indicate a steady market that is consistently responding to supply and demand shifts in a reasonable way. However, headwinds are anticipated in the future due to local market dynamics across multiple real estate types, as well as continuing challenges with high interest rates and inflationary construction cost pressures. These factors combined are indicative of a slower moving market that is deliberate in its response to market shifts with new projects and leasing activity.

The St. Louis City real estate market experiences more challenges and hardship than its suburban counterparts. Due to lower market rents, higher vacancy rates, and tight conditions of available space, projects within the City typically face a far higher likelihood of confronting a financing gap that makes the project infeasible without additional assistance. Because of strict underwriting criteria from equity investors and banks, these financial gaps can be insurmountable without municipal assistance, like TIF or tax abatement. Specifically, lower than average rents and reduced deal flow are key indicators that the City market is suffering challenges that are more pronounced than other suburban locations. The following data points and market commentary provide context for these conditions:

- For office markets, the metro average market asking rent per square foot is $22.10, while the St. Louis CBD average is $19.22 and the City overall (excluding the CBD) is $21.95. For retail markets, the metro average market asking rent per square foot is $17.78, while the North St. Louis average is $18.24 and the South St. Louis average is $14.92. For industrial markets, the metro average market asking rent per square foot is $7.00, while the North St. Louis average is $5.55 and the South St. Louis average is $5.95. When the average asking rent in the City is below the metro average, that is not indicative of a competitive advantage. Rather, it indicates that landlords cannot charge as much as their suburban competitors for space, which creates a financing gap in a project pro forma.

- For office markets, the metro average vacancy rate is 10.3%, while the St. Louis CBD is 19.1 % and the City overall (excluding the CBD) is 3.7%. For retail markets, the metro average vacancy rate is 4.2%, while the North St. Louis rate is 5.3% and the South St. Louis rate is 3.5%. For industrial markets, the metro average vacancy rate is 4.2%, while the North St. Louis rate is 3.3% and the South St. Louis rate is 2.4%. The office vacancy rate for the St. Louis CBD is noticeably higher than the rest of the City and the suburban metro, which indicates a far greater amount of office space available in the Downtown. The retail and industrial vacancy rates are substantially similar and indicate a tight market with low amounts of available space.

- For multi-family housing, the City's three of four space markets have a higher vacancy rate than the St. Louis metro of 9.8% with Downtown at 22.2%, North St. Louis City at 11.3%, and South St. Louis City at 11.6%. Whereas the metro has a full pipeline of new units and a steady absorption rate, the City's submarkets are performing well below average with minimal new activity. Notably, the North St. Louis City submarket has a pipeline of zero units and an average market asking rent of $716, which is 43% lower

than the metro average. These data demonstrate that the majority of new housing development is occurring in the metro's suburban markets with the City's submarkets underperforming and struggling with a lack of market activity.

- The pipeline for new projects has slowed in the last two years across all major real estate asset types, including multi-family, office, industrial, and retail. Each type exhibits tight market conditions that either are demanding disciplined project development with pre-leased tenants or are waiting for existing space and units to absorb into the market before proposing new projects. Developers are risk averse due to these conditions and are largely unwilling to develop projects on a speculative basis.

Multi-Family

With high demand generated by the COVID era, developers responded by substantially boosting supply in the St. Louis metro by 11,000 new units. These deliveries began in 2021 and are anticipated to be ongoing for the next couple of years. This large-scale increase in supply has slowed absorption as demographic trends have not kept pace with the new unit deliveries, which has resulted in an increase in vacancy rates. Because the delivery pipeline of new units is expected to persist, developers are exercising caution and discipline in new projects. Market data anticipates a slowdown in the pipeline until existing units can be absorbed.

Retail

New retail deliveries have been driven by shifts in consumer preferences within the past decade – particularly after COVID in 2020. This demand drove new construction in the St. Louis metro for build-to-suit projects with identified tenants – whether national or local. Retail space is not being built on a speculative basis, which has created tight market conditions with low availability. These conditions are particularly pronounced in older buildings with 60% of available space being found in retail locations built before 1990. As little new space is anticipated on the supply side, these tight market conditions are expected to persist where projects will only be delivered based on pre-leasing with new tenants.

Office

The post-COVID office market in the St. Louis metro has seen activity dramatically decline in the last five years. Though some stability has returned to the market after a period of volatility, vacancies continue to be higher and new deliveries are far and few between. New return-to-office mandates could shift the demand profile, but it remains to be seen how the mandates will manifest in the need for additional space. Current leasing activity is extremely low with very little new space under construction.

Asking rents for available space appear to largely be driven by quality. Class A vacant space – to a certain extent concentrated in Clayton and West County submarkets – are holding average asking rents higher due to modern build-outs and amenities in the buildings. Though economic headwinds for office are anticipated to be persistent, there is a noticeable trend for flight-to-quality in buildings. Initial tenant appetite indicates that buildings with higher-end finishes, amenities, and flexible workspace are preferred. Hybrid and remote work will continue to impact occupancy trends, but it is a wait-and-see approach to understand future impacts of return-to-office mandates.

Industrial

Industrial activity in the St. Louis metro has been steady in recent years due to a disciplined construction pipeline and consistent success in the pre-leasing of space. Speculative projects have been restrained with developers preferring build-to-suit projects, which have contributed to a tight market. While the market saw an increase in deliveries and absorption in 2022, future trends are anticipated to remain fairly steady. Future deliveries will also be impacted by ongoing tenant right-sizing for new space needs and a disciplined approach to speculative deliveries.

Sources: The market commentary and data for the real estate conditions baseline was sourced from CoStar, Cushman & Wakefield, and Intelica.

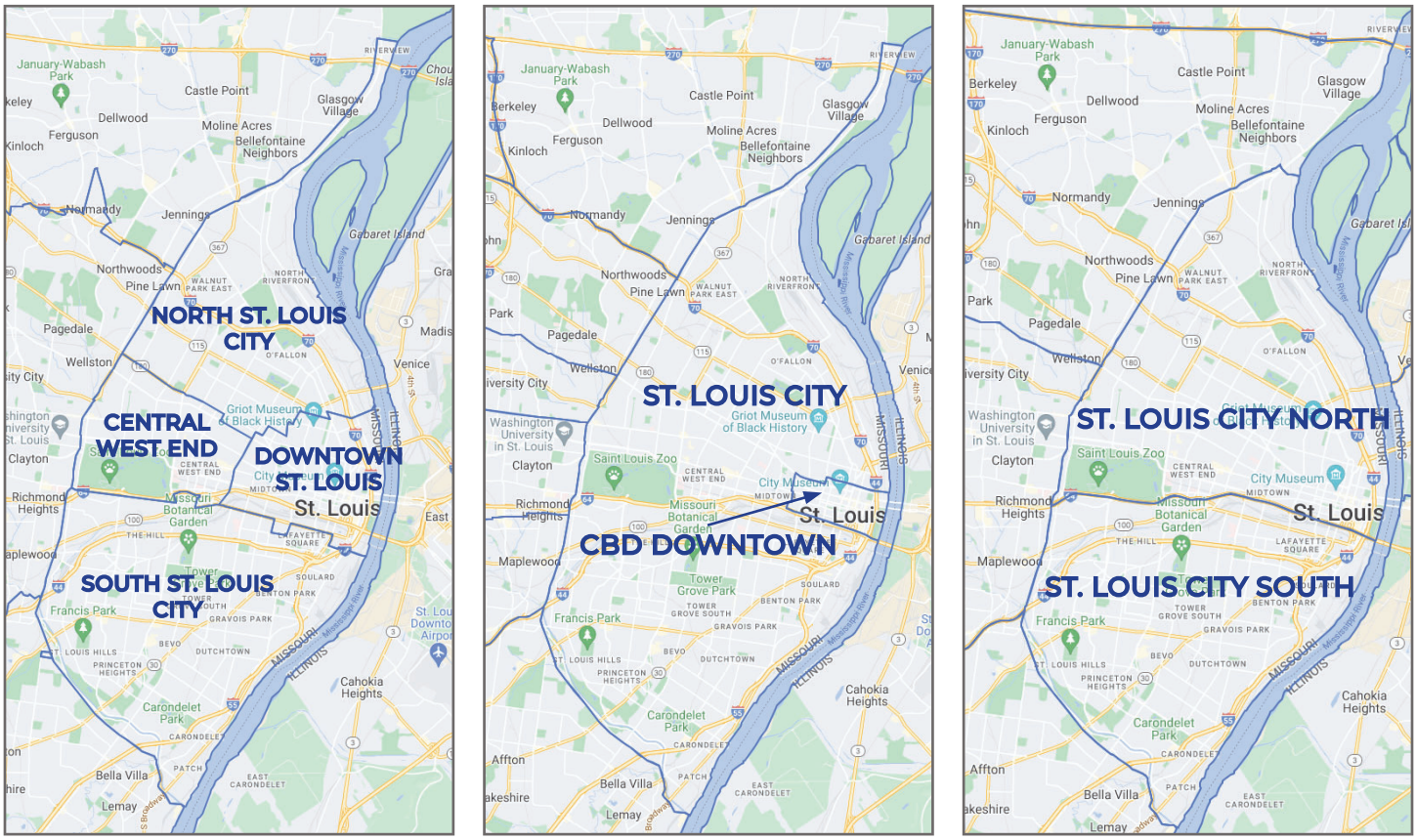


FIG. 17: COMPARISON OF COSTAR SUBMARKETS IN ST. LOUIS

TABLE 5: MARKET CONDITIONS COMPARISON FOR COSTAR SUBMARKETS IN ST. LOUIS

	Downtown	Central West End	North St. Louis City	South St. Louis City	St. Louis Metro
MULTI-FAMILY					
Overall Vacant (units)	2,800	1,200	184	1,600	14,700
Overall Vacancy Rate	22.2%	9.8%	11.3%	11.6%	9.8%
YTD Under Construction (units)	85	95	0	34	1,655
YTD Absorption (units)	467	(69)	132	237	2,953
Ave. Market Asking Rent	$1,257	$1,446	$716	$1,168	$1,257

	North St. Louis	South St. Louis	CBD Downtown	St. Louis City *(excluding CBD Downtown)*	St. Louis Metro
RETAIL					
Overall Vacant (SF)	521,000	409,000	-	-	7.6M
Overall Vacancy Rate	5.3%	3.5%	-	-	4.2%
YTD Under Construction (SF)	0	0	-	-	338,000
YTD Leased (SF)	62,700	118,000	-	-	2.6M
Market Asking Rent/SF	$18.24	$14.92	-	-	$17.78
OFFICE					
Overall Vacant (SF)	-	-	5.3M	719,000	15.2M
Overall Vacancy Rate	-	-	18.9%	3.7%	10.3%
YTD Under Construction (SF)	-	-	0	753,000	767,000
YTD Leased (SF)	-	-	299,000	158,000	2.8M
Market Asking Rent/SF	-	-	$19.23	$21.95	$22.10
INDUSTRIAL					
Overall Vacant (SF)	1.2M	865,000	-	-	14.3M
Overall Vacancy Rate	3.3%	2.4%	-	-	4.2%
YTD Under Construction (SF)	0	340,000	-	-	3.5M
YTD Leased (SF)	429,000	268,000	-	-	9.3M
Market Asking Rent/SF	$5.56	$5.95	-	-	$7

Source: CoStar, as of 2024Q4.
Notes: 1) CoStar defines the St. Louis MO metro market as east and west of the Mississippi River in Missouri and Illinois. The boundary roughly approximates the metropolitan statistical area. 2) The submarkets across the four asset types do not spatially align, however they are presented in the same table for ease of reference. Where an asset type does not share the same submarkets as others, the lack of data is represented with "-."

CONTEXTUALIZING ASSESSED VALUES & INCENTIVES

The St. Louis property tax base has seen notable patterns and shifts from FY17-23 in both residential and commercial assessed values. These trends help to contextualize the fiscal condition of the City as well as the use of incentives. Because a variety of incentives are used to support economic development, an understanding of the nexus between the City's property tax base and encumbered revenues due to incentives can help to illustrate their economic development impacts as well as the degree to which the use of incentives impairs revenue flows from residential and commercial real property assessments.

Residential assessed values in the City have steadily increased to an impressive gain of approximately $413 million from FY16-23. These gains have acted as a buoy to support the City and SLPS as commercial assessed values precipitously declined from FY21-23. While commercial values had previously held fairly steady, the reassessment of real property in 2021 saw a dramatic decline in the value of commercial property of approximately $660 million.

A small percentage of the striking increase in residential assessed values was encumbered due to incentives, and notably, this increase has helped SLPS to maintain its fiscal condition. In contrast, the $660 million loss of commercial assessed value is substantial. This loss became pronounced from the 2021 to 2022 fiscal years following a citywide reassessment in 2021 that was not reflected until FY22.

EXPLAINER: GASB 77 DISCLOSURES

The Governmental Accounting Standards Board (GASB) issues guidance, standards, and regulations for best practices and responsible management in municipal finance. This guidance represents generally accepted accounting principles for governmental entities to accurately and thoroughly report details about the financial health of their organizations. Certain guidance is issued on an as-needed basis to address emerging trends and published within GASB's Governmental Accounting Standard Series as numbered Statements.

Issued in August 2015, "Statement No. 77 – Tax Abatement Disclosures" describes a standard by which municipalities should report the use of tax abatements in their annual comprehensive financial reports (ACFR). As economic development incentives have become more mainstream and used regularly by governments, GASB determined that it was important for local units of government to annually report how these incentive programs may limit their revenue-raising capacity for taxes. The standard states that governments should disclose details about incentive programs, the gross dollar amount of taxes abated during that fiscal year per program, and other commitments made by the government in a tax abatement agreement. The standard also encourages local governments to disclose any additional information that may be relevant. The standard took effect for fiscal year 2016 ACFRs.

It is important to note that property valuations lag major economic events by approximately three years. The valuations reflected in FY22 commercial property assessment potentially reflect the negative economic impact of the COVID-19 pandemic. Due to depopulation, St. Louis' neighborhood economies were likely already fragile due to the loss of demand as households out-migrated from the City, and COVID likely exacerbated these circumstances with the most direct consequence being the loss of commercial assessed value. However, the FY23 assessed value data shows relatively no change in commercial values, possibly indicating that the decline has reached its floor. It will be important to monitor this trend to assess whether commercial values continue to stabilize or decline further.

Historical data shows that the use of incentives in St. Louis impairs a small percentage of residential and commercial assessed value. The percentage impairment has increased from 0.35% to 1.20% of the City's total assessed value between FY17 and FY23, but this increase is not material within the context of the City's overall fiscal condition. When compared to the total positive impacts of incentivized projects, the encumbrance percentages are incredibly low. At present, this is acceptable. However, as the City continues to experience shifts in its property tax base, careful monitoring of impaired assessed value will be important to evaluate the use of incentives in the City.

Considering the patterns of previously incentivized projects, reasonable expectations for future market conditions, and trends in the City's assessed values, a balanced approach is appropriate for the future use of incentives to support projects. Market conditions and SLDC project data clearly show financial hardship for projects occurring in the City, primarily because of financing gaps caused by lower-than-average market rents, slow project pipelines, and tight market conditions with little movement of new proposals. To overcome this adversity, the use of incentives is appropriate to support projects with a "but for" hardship that are directly attributable to factors that are not present in the stronger suburban markets. It is appropriate and necessary to continue to exercise prudence when considering financial assistance for a project with the long-term goal of protecting assessed values as a revenue source for the City and SLPS. However, incentives play a critical role in filling financing gaps for projects that can be catalytic in driving additional neighborhood revitalization. Due to the City's challenging market conditions – particularly as compared to the suburbs, incentives support the City's competitiveness and can assist in attracting new projects.

The analysis of previous projects utilized SLDC annual reporting data from fiscal years 2017-2024. Data from the City's GASB 77 disclosures are sourced from the FY17-23 ACFRs. Because the GASB 77 disclosure rule did not take effect until the end of FY16 for the City, there is no data available for that fiscal year. To properly contextualize historical trends, City data from the FY16-23 ACFRs captures baseline data of one year prior to GASB 77 disclosure reporting through the last reported year of SLDC annual reporting.

TABLE 6: ASSESSING ANNUAL CHANGE & IMPACT TO TAX REVENUES BY INCENTIVES

RESIDENTIAL

Fiscal Year	Annual Value	Change from Previous	Incentive Impact Total	Perc. Total	Remaining Revenue
2017	$2,075,196,000	-	$2,676,000	0.13%	$2,072,520,000
2018	$2,243,128,000	$167,932,000	$8,789,000	0.39%	$2,234,339,000
2019	$2,281,977,000	$38,849,000	$11,326,000	0.50%	$2,270,651,000
2020	$2,503,338,000	$221,361,000	$11,729,000	0.47%	$2,491,609,000
2021	$2,323,274,000	$(180,064,000)	$10,334,000	0.44%	$2,312,940,000
2022	$2,466,654,000	$143,380,000	$11,300,000	0.46%	$2,455,354,000
2023	$2,488,870,000	$22,216,000	$13,955,000	0.56%	$2,474,915,000

COMMERCIAL

Fiscal Year	Annual Value	Change from Previous	Incentive Impact Total	Perc. Total	Remaining Revenue
2017	$2,708,997,000	-	$11,161,000	0.41%	$2,697,836,000
2018	$2,724,759,000	$15,762,000	$17,424,000	0.64%	$2,707,335,000
2019	$2,721,338,000	$(3,421,000)	$17,755,000	0.65%	$2,703,583,000
2020	$2,791,963,000	$70,625,000	$14,531,000	0.52%	$2,777,432,000
2021	$2,612,811,000	$(179,152,000)	$12,556,000	0.48%	$2,600,255,000
2022	$1,938,551,000	$(674,260,000)	$10,697,000	0.55%	$1,927,854,000
2023	$1,916,452,000	$(22,099,000)	$14,606,000	0.76%	$1,901,846,000

GENERAL - RESIDENTIAL & COMMERCIAL REAL PROPERTY

Fiscal Year	Annual Value	Change from Previous	Incentive Impact Total	Perc. Of Total	Remaining Revenue
2017	$4,784,193,000	-	$3,006,000	0.06%	$4,781,187,000
2018	$4,967,887,000	$183,694,000	$3,827,000	0.08%	$4,964,060,000
2019	$5,003,315,000	$35,428,000	$27,030,000	0.54%	$4,976,285,000
2020	$5,295,301,000	$291,986,000	$27,140,000	0.51%	$5,268,161,000
2021	$4,936,085,000	$(359,216,000)	$31,631,000	0.64%	$4,904,454,000
2022	$4,405,205,000	$(530,880,000)	$26,014,000	0.59%	$4,379,191,000
2023	$4,405,322,000	$117,000	$24,519,000.00	0.56%	$4,380,803,000

COMBINED - RESIDENTIAL & COMMERCIAL REAL PROPERTY

Fiscal Year	Annual Value	Change from Previous	Incentive Impact Total	Perc. Of Total	Remaining Revenue
2017	$4,784,193,000	-	$16,843,000	0.35%	$4,767,350,000
2018	$4,967,887,000	$183,694,000.00	$30,040,000	0.60%	$4,937,847,000
2019	$5,003,315,000	$35,428,000.00	$56,111,000	1.12%	$4,947,204,000
2020	$5,295,301,000	$291,986,000.00	$53,400,000	1.01%	$5,241,901,000
2021	$4,936,085,000	$(359,216,000.00)	$54,521,000	1.10%	$4,881,564,000
2022	$4,405,205,000	$(530,880,000.00)	$48,011,000	1.09%	$4,357,194,000
2023	$4,405,322,000	$117,000.00	$53,080,000	1.20%	$4,352,242,000

Source: City of St. Louis ACFRs, FY17-FY23.

TABLE 7: GROSS DOLLAR OF REDUCED ASSESSED TAXABLE PROPERTY VALUE BY INCENTIVE PROGRAM

Program	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Total
Chapter 99 - Residential	$1,634,000	$4,895,000	$5,601,000	$5,661,000	$4,471,000	$5,609,000	$5,297,000	$33,168,000
Chapter 99 - Residential PILOT	-	-	-	$68,000	$244,000	$568,000	$912,000	$1,792,000
Chapter 353 - Residential	$954,000	$2,752,000	$3,850,000	$3,902,000	$3,675,000	$2,280,000	$3,133,000	$20,546,000
Chapter 353 - Residential PILOT	$88,000	$1,142,000	$1,875,000	$2,098,000	$1,944,000	$2,843,000	$4,613,000	$14,603,000
Chapter 99 - Commercial	$6,159,000	$8,290,000	$8,963,000	$5,932,000	$4,273,000	$4,135,000	$3,229,000	$40,981,000
Chapter 99 - Commercial PILOT	-	-	$5,000	$67,000	$248,000	$403,000	$598,000	$1,321,000
Chapter 353 - Commercial	$4,873,000	$5,325,000	$6,104,000	$6,419,000	$6,206,000	$3,712,000	$8,840,000	$41,479,000
Chapter 353 - Commercial PILOT	$129,000	$3,809,000	$2,683,000	$2,113,000	$1,829,000	$2,447,000	$1,939,000	$14,949,000
Enhanced Enterprise Zone Tax Incentives	$1,859,000	$3,385,000	$2,682,000	$1,610,000	$580,000	$454,000	$548,000	$11,118,000
Enhanced Enterprise Zone Tax Incentives PILOT	-	-	$195,000	-	$695,000	$240,000	$732,000	$1,862,000
Chapter 100 - Planned Industrial Expansion (PIE) Authority	$152,000	$68,000	$69,000	$67,000	$197,000	$179,000	$438,000	$1,170,000
Chapter 100 - Industrial Revenue Bonds/Merchants & Manufacturer's Tax Credit	$995,000	$374,000	$507,000	$596,000	$231,000	$174,000	$386,000	$3,263,000
Industrial Revenue Bond Transactions - Real Property	-	-	-	-	-	-	-	-
Tax Increment Financing (TIF) - PILOTS	-	-	$23,577,000	$24,867,000	$29,928,000	$24,967,000	$22,415,000	$125,754,000
Total	$16,843,000	$30,040,000	$56,111,000	$53,400,000	$54,521,000	$48,011,000	$53,080,000	$312,006,000

Notes:

Data is only reported for incentives programs that impact real property revenues.

FY16 data for Industrial Revenue Bonds did not distinguish between real and personal property. This distinction begins in FY17 data.

Amounts reported as "Chapter 100 - Industrial Revenue Bonds/Merchants & Manufacturer's Tax Credit" also reported as "Industrial Revenue Bond Transactions - Real Property."

Source: City of St. Louis ACFRs, FY17-FY23.

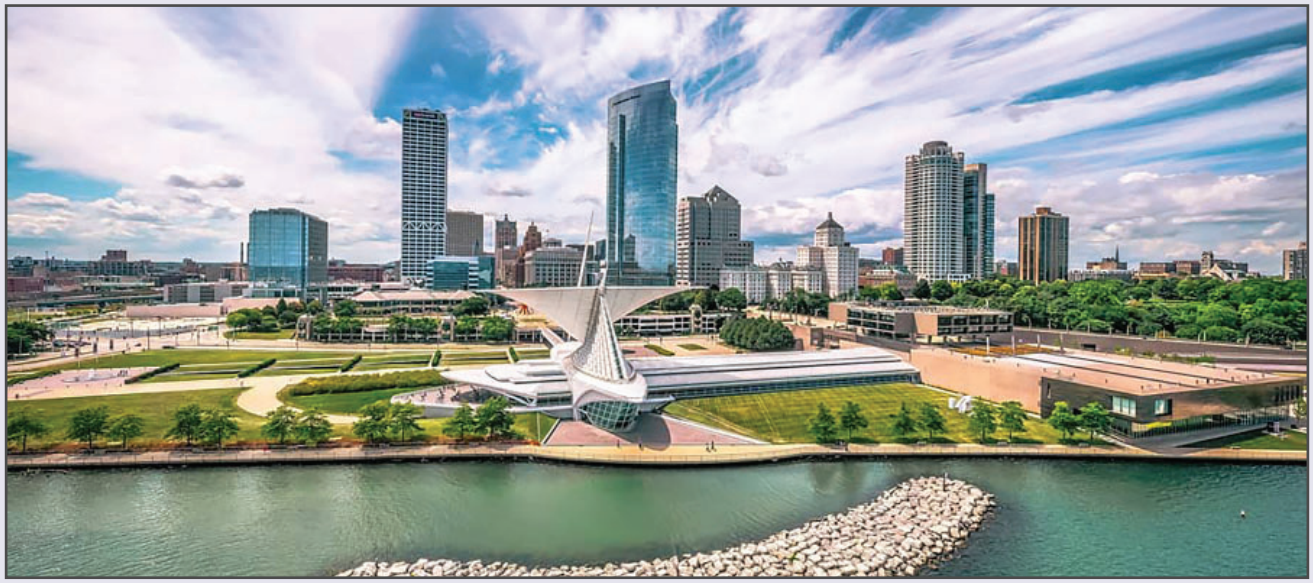
CASE STUDY: MILWAUKEE'S DOWNTOWN RENAISSANCE

The city of Milwaukee serves as a reasonable peer comparison and case study to St. Louis because both cities share historical commonalities that help to contextualize their current challenges. Racial segregation has played a strong economic and cultural role in defining city neighborhoods, as well as long-term economic trends including de-industrialization, de-population, and the resulting disinvestment. In the past 15 or so years, Milwaukee's Downtown has seen tremendous reinvestment that has resulted in a local renaissance and provides relevant perspective and insights for St. Louis.

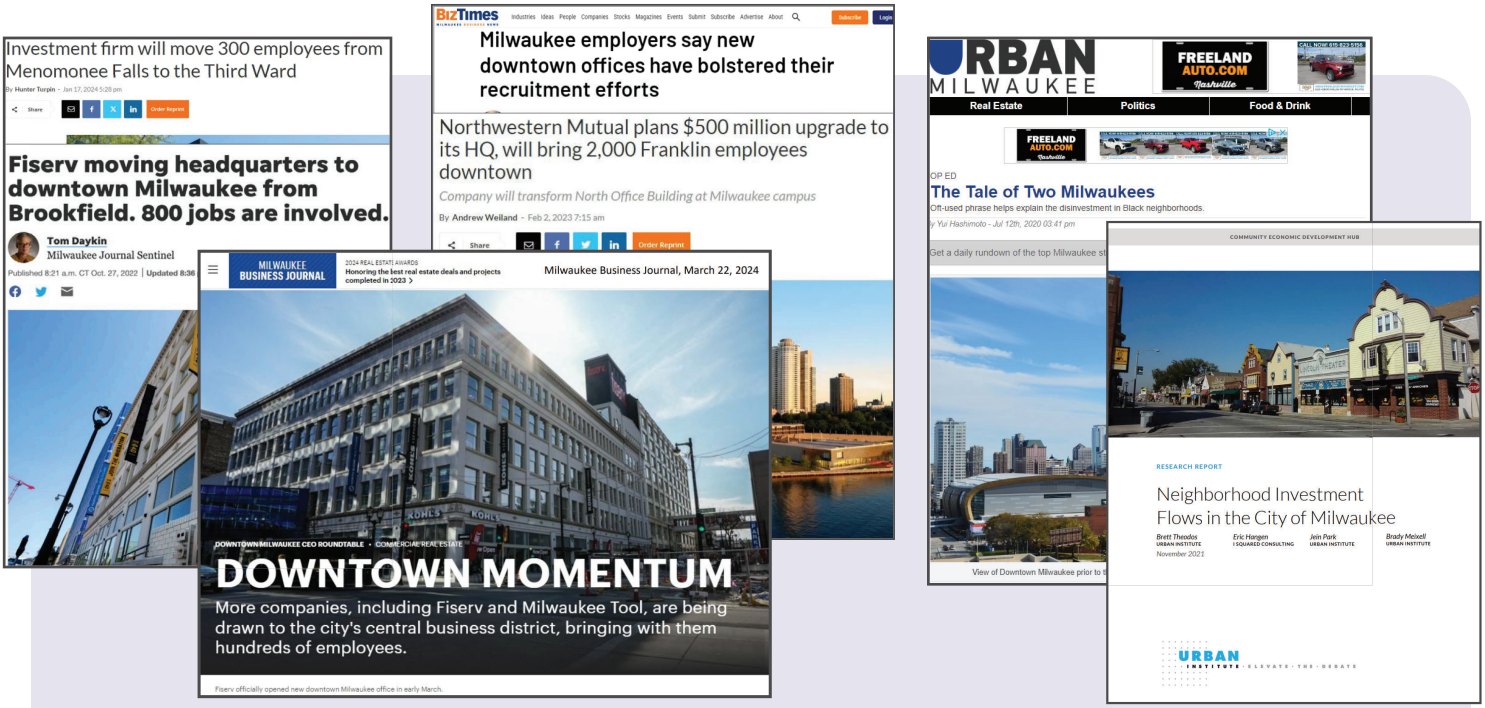
Sitting on the shores of the Great Lakes, Milwaukee has a fairly typical story of a northern industrial city along the Rust Belt. During the 1940s and 1950s, Milwaukee experienced a surge in population during the Second Great Migration as Black Americans moved to the North for better living conditions and jobs. By 1960, the city's population peaked at 741,324 when its neighborhoods were dense multi-cultural communities with numerous commercial and industrial districts throughout the city. However, due to urban renewal, suburbanization, and deindustrialization, Milwaukee rapidly de-populated losing 146,491 residents – almost 20% of its population – by 2010.

By the mid to late 2000s, Milwaukee's political and business leadership recognized that the city and larger southeastern Wisconsin region had entered a period of economic malaise. Reinvestment in neighborhoods was stagnant; companies were reluctant to expand their facilities and hire new employees; and, the region had not experienced a significant economic "win" in decades. As a result, multiple economic initiatives were launched to catalyze reinvestment in the city and hopefully spur a larger revitalization of the region.

Milwaukee's then-Mayor, Tom Barrett, and Commissioner of the Department of City Development, Rocky Marcoux, began an aggressive campaign to attract reinvestment into the city with a focus on downtown and urban manufacturing sites. However, the 2008 Great Financial Crisis seriously harmed Milwaukee's fiscal condition and caused significant challenges in raising revenue from the property tax base. As the City began hemorrhaging revenue from residential assessed value,



Source: DeWook Photography via Milwaukee Downtown BID #21 on Facebook



leadership made the decision to pursue new commercial and industrial development as a "life preserver" for the city. Focusing heavily in and around the city's financial and entertainment districts, the beginnings of a Downtown Renaissance were born in the early 2010s.

While this strategy was successful in maintaining the City's solvency, the revitalization strategy has experienced a mix of market forces and events that support more nuanced reflections. Milwaukee's Downtown Business Improvement District estimates that $7.4 billion of new development has occurred in the Downtown since 2005 with $5.4 billion occurring since 2015. Additionally, $3.6 billion of currently proposed projects are in the pipeline. Notably, this has included the attraction of major corporate headquarters – including the Northwestern Mutual expansion, Milwaukee Tool, and Fiserv, a revitalization of the city's theater district, and the development of a multitude of hotels, mixed-used apartment buildings, and retail establishments.

Not without controversy, however, the Downtown Renaissance has been heavily criticized by neighborhood advocates for concentrating investment in select neighborhoods in and around downtown – arguably at the expense of surrounding neighborhoods in inner city communities. Because many of the larger projects received support in the form of TIF assistance or State and Federal tax credits, questions of fairness persistently ask if the funds could have been more equitably distributed.

At present, Milwaukee's Mayor, Cavalier Johnson, has continued these economic development efforts as a core pillar of his administration. Though, he is also focused on pursuing equitable reinvestment strategies to build neighborhood resiliency over the long term. He also has the ambitious goal of doubling Milwaukee's population from 561,385 in 2023 to 1 million people in the future.

In retrospect, Milwaukee's Downtown Renaissance and the massive capital investment into commercial and industrial projects acted as a lifesaving buoy that prevented the City from having its credit rating slide into junk status as the residential tax base declined precipitously following 2008. This new development supported the creation of jobs, attracted new corporate users into the city, built new apartment units, and created a sense of place downtown. But, there were tradeoffs – notably that significant taxpayer funds were needed to support these projects; and, that those funds were spatially concentrated in select neighborhoods.

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4 FUTURE INCENTIVES NEXUS

CONTEXT

In defining the future nexus between the use of tax abatements and TIF and their effects on the finances of the City and the SLPS, the SLDC seeks to maximize benefits to citizens, the City, and the SLPS to the extent practicable. Simultaneously addressing the broad economic revitalization needs and depressed market conditions of the City as well as its repopulation with households with school-age children to support SLPS's health will be a challenge. Given the structural demographic changes experienced both locally and nationally, stabilizing SLPS's enrollment is critical to addressing the school's operating challenges and revenue losses, particularly losses of state revenue.

ROLE OF STATE FUNDING

SLPS faces certain headwinds: declining enrollment driven by falling birthrates nationally (as also experienced by other school districts) and the loss of school-age population in the City, as well as the precipitous drop in state funding resulting from this enrollment decline.

A 2016 School Money study conducted by NPR highlights the imbalance in per-student funding faced by local school districts, especially in states that rely heavily on the local property tax as a school funding source. Due to this, districts with low property wealth generally have significantly lower funding resources, all else held constant. In 2022, local sources made up about 77% of all SLPS revenues. Nationally, local and state sources are roughly equal on average for U.S. school districts, with each comprising about 45% of total revenues, highlighting the fact that SLPS is heavily dependent on local revenue sources comparatively. SLPS's per-pupil total expenditure (based on governmental funds only) was $29,024, while the national average per-pupil expenditure for the 2020-21 school year was $18,614. Urban school district peers have higher than average per-pupil spending as well - Kansas City Public Schools' per-pupil expenditure (based on governmental funds only) was $22,825 in 2023, and Chicago Public Schools' was $28,472 in 2023. SLPS's financial picture has remained relatively healthy despite a heavy reliance on local revenues combined with precipitous drops in state revenue sources and an overall trend of decline in Federal revenue sources (with the exception of COVID-19-related funding in recent years).

In all states, local property tax revenues serve as a stable and higher-growth revenue source than state funding sources, which can be statutorily inadequate in terms of their funding rules and mechanisms and are vulnerable to economic downturns. The realities of Missouri's school funding formula mean that SLPS's local property tax revenues must be safeguarded, with an eye toward long-term stability and growth. SLPS's enrollment may be expected to continue falling due to the demographic realities faced both locally and nationally, meaning that state funding declines will continue and the district will need to rely more heavily on local sources.

These challenges for SLPS' funding are largely due to factors outside the control of the SLDC, which contributes to the unique nature of the ultimate future nexus model proposed. After examining the traditional impact model, we present a recommended future nexus taking these challenges into account.

Section Title Image: Downtown St. Louis Community Improvement District via Facebook

TRADITIONAL IMPACT MODEL

Studies have demonstrated that, when used judiciously with specific targets and restrictions on their use, property tax abatements and other property tax incentive programs can decrease effective property tax rates and increase the market value of properties in the jurisdiction. Such limitations may include establishing geographic boundaries for incentive use only in areas where new construction and repair is discouraged by the private market. Indeed, the traditional impact model for assessing the effects of tax-incentivized development assumes such development would not be undertaken by the private market but for the offer of these incentives. Named the "but for" test, this assumption means incentives are considered to have a causal effect on development, and any violation of this assumption invalidates projected impacts and reduces the benefits of tax incentives.

An example of the common model for property tax incentive impacts is found in the Tax Allocation District (TAD) program in the state of Georgia. TADs may be formed in blighted or distressed areas, deteriorating areas experiencing physical or economic decline or stagnation, or areas with inadequate infrastructure in which the private market is not producing real property improvements. TAD creation starts with a clear vision for the geographic area it will cover (including acreage and number of parcels), and ensures conformity with local plans. Data must be provided to support a finding of blight or distress for areas qualifying as a TAD, including metrics on substandard structures, poverty levels, historic buildings, visible blight, commercial and residential vacancies, and property value growth trends.

Proposed TADs then undergo a financial analysis to evaluate feasibility and net benefits, grounded in assumptions about anticipated redevelopment projects and "halo effect" projects spurred by core redevelopments. The "halo effect" is estimated by developing a plausible if-then scenario, which may be based on previous case studies for similar projects or may be estimated through collaborative development of reasonable assumptions by a stakeholder group. The following table first measures the taxable value in the proposed incentive area compared to all taxable value in the municipality and school district to determine the relative significance of the area's impact on overall municipal and school revenues. The analysis then lays out details of all anticipated redevelopment projects to justify assumptions regarding the associated increases in property value and revenue. From the municipality's perspective, the table finishes with a tally of project revenues and costs (including the costs of any public investments, bond financing, relocation payments, etc.). The analysis gives a comprehensive look at project details and expected net benefits in the TAD area.

The TAD law further mandates a school-specific special analysis that examines a more comprehensive view of the impacts on the local public school district. The analysis first estimates the number of net new school-age children the project(s) will bring to the jurisdiction, including estimating the percent enrolled in public schools using demographic multipliers from the U.S. Census American Community Survey. The multiplier can be derived via regression analysis using Census Public Use Microdata Samples (PUMS) data, or by pulling data on school-age children for areas with similar development patterns.

TABLE 7: CORE COMPONENTS OF GEORGIA'S TAD IMPACT MODEL

TAXABLE VALUE	
Baseline Taxable Value in TAD	
% of Municipal Taxable Value	
% of School District Taxable Value	
All-TAD Taxable Value	
% of Municipal Taxable Value	
% of School District Taxable Value	

CALCULATION ASSUMPTIONS	
Annual Property Value Inflation	
Millage Rate	
TAD Effective Dates (Years)	

ANTICIPATED REDEVELOPMENT PROJECTS					
	Res. #1	Res. #2	Comm. #1	Comm. #2	Ind. #1
Type (for Residential)					
Number of Units					
Sq. Ft.					
New Market Value					
New Taxable Value					

FINANCIAL ANALYSIS					
Base Property Tax Revenue (over full TAD period)					
Municipality					
School					
Increased Property Tax Revenue (over full TAD period)					
Municipality					
School					
New "Halo Effect" Property Tax Revenue					
Public Investments					
Financing Costs					

TABLE 8: SCHOOL-SPECIFIC SPECIAL ANALYSIS IN GEORGIA'S TAD IMPACT MODEL

RESIDENT ANALYSIS		
	Residential #1	Residential #2
Number of Units		
Projected Residents		
Projected Net New School-age Children		
% Enrolled in Public Schools		

REVENUES & COSTS	
Added Education Expenses (based on per-pupil spending)	
Local %	
Number of Facilities in the Incentive Area	
Personal Property Tax Revenue Estimate (from commercial redevelopment)	
Other Tax Revenues (sales tax, etc.)	

Under TAD, a benefit calculation is performed at the establishment of each new TAD based on all of the assumptions and calculations described above to determine whether the proposed district is expected to generate net benefits for the municipality and schools. The analysis can also help the school district prepare for the changes resulting from the TAD.

FUTURE NEXUS MODEL

Given the potential for increased strain on SLPS budgets if student enrollment continues to decline, the SLDC should ensure that its property tax incentive programs are judiciously used in line with the traditional impact framework outlined above. SLDC's existing incentive programs already include requirements or recommendations for use in blighted areas, and the SLDC's Community Benefits Scorecard (2023) establishes the existence of sufficient community benefit before projects are further considered for incentives and sets out additional scoring criteria that guide incentive decisions. The SLDC also uses a financial model to evaluate projects being considered for incentives, which helps to ensure that incentives are a difference maker for projects that may not otherwise be financially feasible. The model also estimates resulting financial impacts for the City. Though judicious and targeted use is important, incentive use is a critical and necessary tool for both the long-term benefit of SLPS's budget, given SLPS's expected dependence on the long-term stability and growth potential of local property tax revenues, as well as

the encouragement of development in parts of the City with unfavorable market conditions, as discussed in Section 3. The City of St. Louis has faced significant disinvestment in many areas and is seeing market conditions where prevailing rents are too low to cover development costs. This requires the targeted use of tax incentives in combination with other strategies to promote revitalization.

The SLDC cannot fix the demographic challenges facing SLPS, but it may consider adjusting the design of its incentive programs (particularly those already targeted at residential development) as it pursues its broad goal of economic revitalization to promote the attraction of families with school-age children and minimize short-term adverse impacts on District revenues. It may consider introducing a preference or policy goal into its programs to prioritize developments that combine residential and commercial density and include housing units and amenities desired by families. In this way, the SLDC could favor projects that bring more school-age children back into the district while also growing the property tax base more broadly through other varied project types that support job creation and generate additional demand.

The SLDC should use its existing application review procedures for project scoring – including the *Economic Justice Action Plan* (2022) and Community Benefits Scorecard, and consider adding additional criteria to these tools targeting the need to attract families. While the SLPS will continue to face enrollment and funding challenges, the SLDC can meaningfully support the District by focusing on projects that help develop the city of St. Louis as a community of choice for families. This balanced approach will allow the SLDC to maintain its position and fiscal strength, while simultaneously supporting the long-term revitalization of the SLPS. Additionally, this rationale is an effective way for the SLDC to leverage its sphere of influence in the private real markets to positively impact the SLPS.

This expanded rationale can be considered as the "Healthy Families Nexus" that favors projects with the potential to attract families and children into the city. The components of this nexus are baked into the way the SLDC considers elements of economic justice and community benefit, but can be explicit scoring criteria to be evaluated during the project review process. In conjunction with the factors within the traditional school impact model, the Healthy Families Nexus would include the following components – some of which are market related with others serving as key social determinants of health:

Diverse Housing Types: Whether market-rate or affordable housing, an expansion of the city's housing supply can create opportunities for the in-migration of households and families, as well as increases in property tax revenues. An improved housing supply also helps stabilize neighborhood property markets and improve quality of life.

Neighborhood Amenities: Convenience retail, destination shopping districts, and entertainment create a sense of place. As commercial real estate, these locations also drive additional tax base and can generate revenue to support civic spaces and parks. Thus, commercial retail can be mutually beneficial with public space access.

Health & Wellness: The ability of residents to live healthy lives strengthens neighborhoods, helps build community identity, and creates

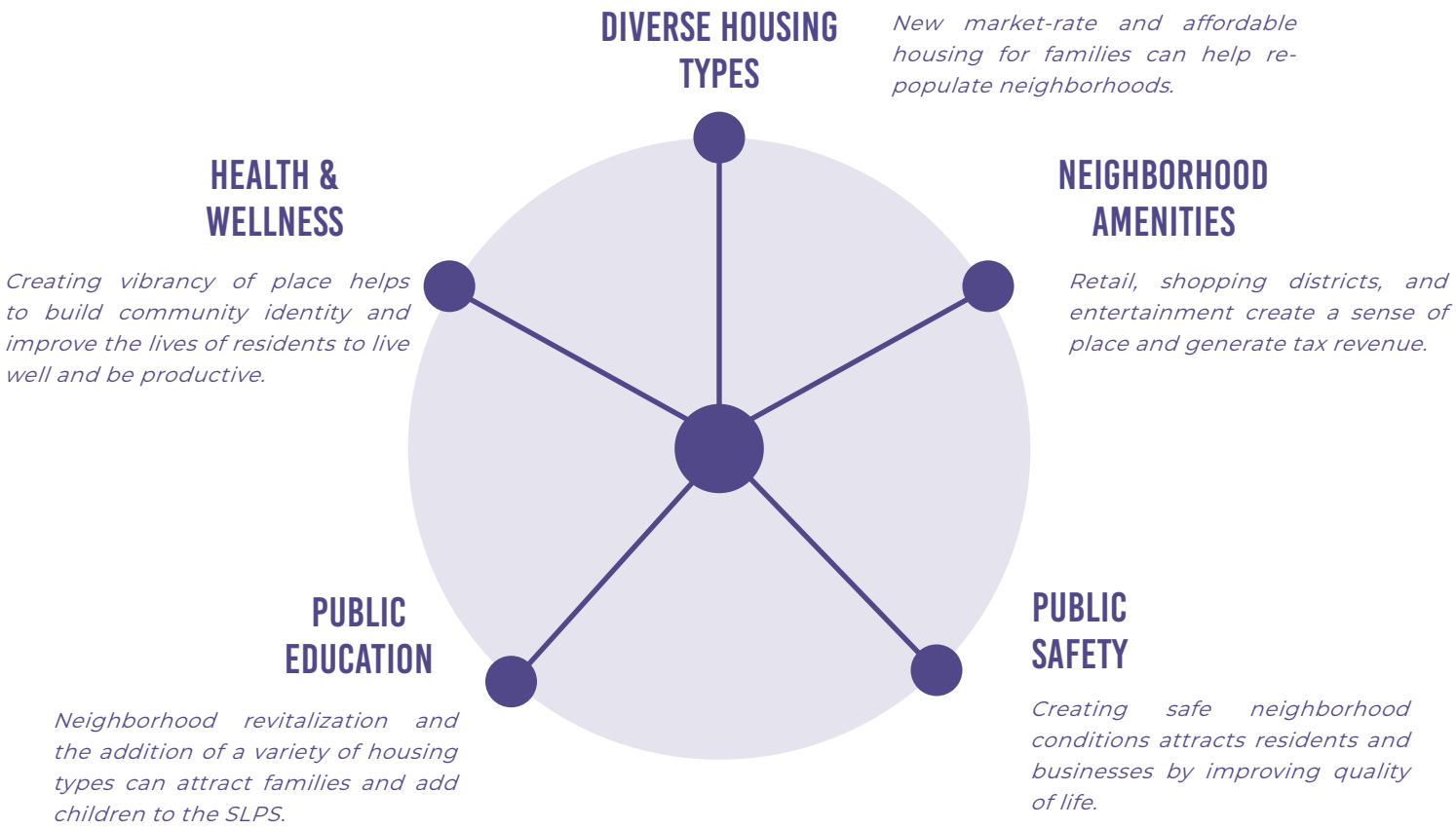

FIG. 18: HEALTHY FAMILIES NEXUS

vibrancy in the City. The mental and physical health of residents and families encourages permanence in the community and helps to bind people socially. By creating a sense of place through revitalized neighborhoods, good public schools, and a safe environment, this holistic approach supports the vitality of households and families.

Public Education: While the SLPS is facing challenges, attracting families with children has the potential to boost enrollment in the District and stabilize its student population. With the addition of new housing units and the rehabilitation of existing ones, families can potentially find an affordable place to live within the city.

Public Safety: The tax base diversification resulting from new residential and commercial development will increase needed revenues for municipal services. Additional funding to police and fire/rescue – particularly their visible presence in the community – can contribute to an overall sense of safety and build a stronger quality of life.

As the city of St. Louis continues to revitalize its neighborhoods, the Healthy Families Nexus can serve as a core component in building residential density with new families, which will further generate additional commercial and retail demand. This economic activity will support broader market improvements that promote reinvestment, tax base diversification, and ideally, the re-population of the city.

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