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MEMORANDUM

To: City Council, City of Webster Groves

From: Larry Marks & Katie Medlin, Development Strategies

Date: January 15, 2021 (revised July 16, 2021)

Subject: General Feasibility Analysis of West Pacific Avenue TIF District

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EXECUTIVE SUMMARY

Issues for economic feasibility, construction costs (bullet points), highest and best use/market, etc.

Webster Groves is reviewing a proposal for the redevelopment of a significant parcel immediately north of downtown Old Webster. Identified by City leaders in early 2020 as having potential to further the ongoing growth of the City, a general RFP was issued seeking proposals for the site, including what, if any, subsidies were required. SG Collaborative submitted a proposal for a mixed-use development featuring over 700 multifamily units, condominiums, office, and retail space. Development Strategies was engaged to provide a high level feasibility analysis of the development team's current submittals so that the City Council can better evaluate the merits of the proposal. Overall, this review found the following:

General Site Economics

- The developer is approaching this project primarily as a land development deal, meaning that they will acquire the parcels in the area and construct the new infrastructure. Once the land development is complete, the development group will focus on developing the buildings themselves, but there is a possibility that certain parcels will be sold to other development groups.
- The site is extremely expensive to develop, due to high acquisition costs, costs to relocate ongoing businesses, significant topography issues, an active flood plain, and adjacency to an active rail right-of-way. Together, these issues can increase the overall redevelopment costs significantly.
- The TIF request will be used to offset the extensive public infrastructure and public amenity work proposed for the project.
- Because of the high costs associated with the acquisition and redevelopment of the land, coupled with the fact that a certain portion of the overall TIF area is not ideal for development (i.e., flood plain), the 'net' cost per acre is relatively high for the area. This requires a certain amount of development density to make the overall project feasible.
- While other development types might be desired for the area (single-family homes, traditional suburban retail, etc.), the high costs of redeveloping the underlying land coupled with general market issues make it unlikely that other, less dense, development types would be successful.
- The developer has stated that a net land cost, inclusive of any infrastructure or sitework, must be at or below $25,000 per unit for the project to be economically feasible. Based on conversations with other local

developers, a total land cost of $19,000 to $25,000 per unit is generally considered acceptable for the area.

- Based on their current cost projections, SG Collaborative is projecting a need for TIF assistance for the project to be feasible. It should be noted that the projected future TIF revenues have not yet been formally calculated. Additional analysis is required to determine the appropriate amount of assistance, and, if assistance is required, if TIF is the best vehicle to provide that assistance.

To combat these issues, the developer is proposing to utilize TIF to offset the costs of the public infrastructure portion of the project. This will help maintain a reasonable cost that can feasibly be borne by the future development. That said, we strongly encourage SG Collaborative to further refine its projected cost numbers, especially with regards to acquisition costs, as the current projections appear very high given recent sales in other parts of the County and the fact that portions of the overall 14.3-acre area will be effectively unusable.

INTRODUCTION

The purpose of this memo is to generally review the feasibility of the proposed redevelopment of the area located immediately to the north of downtown Old Webster, colloquially called the "West Pacific Avenue TIF". This memorandum will describe the general project area, the developer's proposed project, a brief overview of the cost of development in the area, a high-level description of the residential and commercial real estate market in Webster Groves, and an analysis of likely development feasibility of the proposed development and alternatives.

This memo is focused on the financial feasibility of the proposed project, the need for the requested development incentives, and the theoretical impact of reductions in scale or density of the project on the overall financial feasibility. The memorandum does not include analysis of fiscal impacts of the development on the City of Webster Groves, including the public works department, police department, fire department, Webster Groves Schools, and other institutions.

SITE & PROJECT OVERVIEW

In early 2020, the City of Webster Groves issued a Request for Proposals ("RFP") for the redevelopment of the area directly north of downtown Old Webster. The purpose of the RFP was to receive proposals that could enhance and stabilize the area immediately north of downtown Old Webster. The area is roughly bounded by Kirkham Avenue to the north, Gore Avenue to the east, Pacific Avenue and the adjacent active rail right of way to the south, and Rock Hill Road to the west. At present, the area is mostly populated by light industrial and warehousing uses, a retail use, and offices, along with a small multi-family property, a single-family home, and a religious insitution. These buildings are mostly occupied. The area has not had significant new development in many decades. Shady Creek, which is part of the Deer Creek Watershed, runs along the northern portion of the area and presents flooding issues to that portion of the site. The site has significant terrain, with a considerable slope falling away from the rail right of way to the south to Shady Creek on the north. Together, the railway, terrain issues, and potential for flooding make the prospect of new development in the area difficult and likely expensive.

The developer is proposing to construct a mixed-use development on the site, including a public 'river walk' along Shady Creek. The development will feature a mix of apartments, condominiums, townhomes, retail, restaurant, and office uses. Parking will be accommodated by structured garages, which are also intended to provide parking to visitors to downtown Old Webster, according to the developer. The following details the current proposed development mix, but it should be noted that a 2021 completion date for the sitework and infrastructure is likely unrealistic.

OLD WEBSTER TIF DEVELOPMENT PROGRAM

USE	BUILDING SQUARE FOOTAGE	NUMBER OF UNITS	PARKING SQUARE FOOTAGE	PARKING SPACES	PROJECTED COMPLETION DATE
SITEWORK & INFRASTRUCTURE					LATE 2021
OFFICE (INCLUDES RETAIL)	127,160		127,160	374	TBD
CONDO/OTHER FOR SALE	91,600	48	34,000	100	2024
APARTMENT 1	125,100	128	64,600	190	2022
APARTMENT 2	87,300	88	44,880	132	2023
APARTMENT 3	82,270	84	29,920	88	2024
APARTMENT 4	256,900	290	146,600	380	2025
APARTMENT 5	110,800	108	47,600	140	2026
TOTAL	881,130	746	494,760	1,404	

Based on conversations with the developer, they believe that Tax Increment Financing (TIF) is necessary to offset the significant site preparation costs associated with the project. The primary use of the TIF funds is to install new infrastructure (utilities, roadways, water mitigation, etc.) and address the topographic issues on the site to make the area suitable for new development. Thus, the costs discussed below relate primarily to those associated with developing the land in preparation for future development.

Viable Development Uses: Currently, the TIF area is populated by a mix of warehouse/light industrial uses, a retail use, city/institutional uses, office, a religious institution, and some residential. Given the site's adjacency to Old Webster, the proposed mix of residential, retail, and office uses would likely be complementary to the existing uses in the surrounding neighborhood. Development Strategies was provided with a market study that the Developer had conducted pointing to positive feasibility for multifamily development in the area. That said, other uses may also be worthy of additional study. The following table lists some other potential uses and the high-level viability of each:

Theoretical Alternative Development Scenarios		
Strategy	**Pros**	**Cons**
"Organic" or "Targeted" Mixed-Use Development on a parcel by parcel basis, primarily along Pacific/Gore Avenues with some townhomes along KIrkham	Likely to have lower building heights (similar to 2-4 story existing buildings in Old Webster). Building footprints likely to be smaller due to lack of funds to transform the topography.	Longer time frame to development Likely to still require public subsidy at some level (TIF, etc.) Does not create a cohesive 'place' that could attract additional activity Likely to generate less new revenues for taxing jurisdictions Due to the smaller scale of the project, developer(s) unlikely to include additional public amenities to improve the area (pedestrian bridge, improved greenway along Shady Creek, art installations, etc.)
Traditional Standalone Retail	Build Old Webster as a retail destination	Unclear if Old Webster can support additional retail. Additionally, new development would likely introduce national retail tenants, who would then compete directly with existing local businesses. Location is separated by train tracks, which creates a visible boundary for many potential customers.
For-Sale Single Family or Condo Homes	Less density to impact the surrounding neighborhood. Encourage additional home ownership in Old Webster.	High acquisition and land development costs, coupled with difficult terrain, would make the potential price of a large for-sale single-family homes and/or townhomes development cost prohibitive to most buyers. While many residents of apartments would tolerate the noise of the adjacent train track, it may be less likely that purchasers of high-end homes would be willing to purchase in that area in large numbers. Fewer potential customers for Old Webster businesses will be introduced to the neighborhood. TIF revenues likely still required for the substantial infrastructure work necessary.
Traditional Office Park	Brings a daily influx of workers to Old Webster, who would presumably patronize local businesses.	High acquisition and land costs, difficult terrain, and distance from major highways makes this location less desirable for a larger office development.
Modern Light Industrial/Warehousing	Continues the existing use of the majority of the parcels.	Property is not located near major interstates or other large thoroughfares, which is crucial for modern operations. Site topography prohibits the construction of buildings with a large footprint, without extensive sitework.

Given the alternatives listed above and the limitations surrounding the development of each in the TIF area, the highest and best use of the site appears to be a mixed-use development that is primarily composed of for-rent multifamily units.

Development Economics Overview

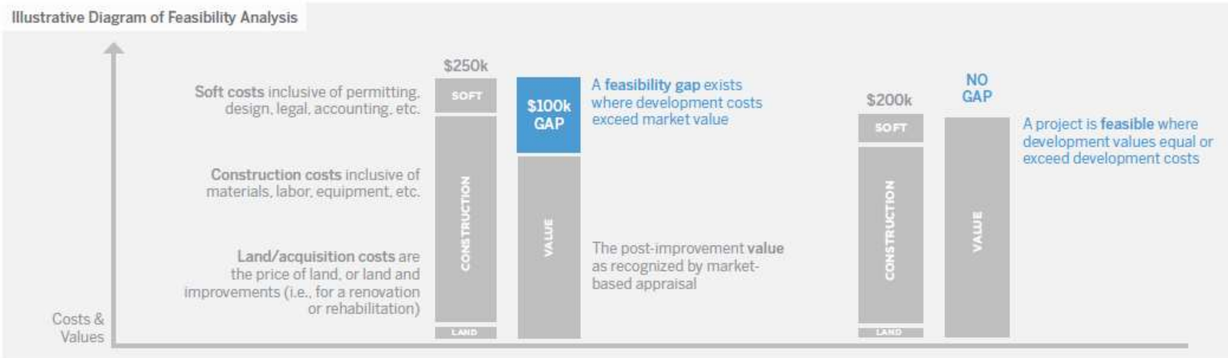
The development of any property, be it a simple apartment building or a large, mixed-use development, is an intricate interplay of multiple factors ranging from a base understanding of what the market will accommodate to how a specific location's zoning requirements impact what development can be achieved. Ultimately, these factors filter down into four main 'pillars' of development feasibility including the community's goals, location/design, economic feasibility, and market. The interplay of the various factors of development ultimately point toward a project's likely feasibility.

Typical Development & TIF Development Timeline

Private Development

Under private development, a developer will initially determine if a site is generally feasible by analyzing land costs, development costs, and the ability of the market to ultimately absorb and support the proposed development. If feasible, the project will proceed on a normal timeframe, which typically includes the purchase of the property, negotiation of financing, development of design and construction drawings, working through necessary municipal approvals, and the eventual construction and operation of the development. However, there are times when the costs to develop outweigh the final value of the development, resulting in a feasibility gap—for example, construction costs may be too high and projected rents too low, making the project infeasible.

The following graphic demonstrates the basic difference between a theoretical project whose costs exceed the ultimate market value of the project (infeasible) versus a project that would generally be considered feasible.



TIF Development

Tax Increment Financing is a tool that many municipalities use to address those financial gaps that are partly caused by significant investment in new public infrastructure or other public amenities so that desired development may occur in an otherwise infeasible area. Once approved, TIF allows for the collection of 100% of *incremental* eligible property taxes (PILOTs) and 50% of *incremental* eligible economic activity taxes (EATs). The taxing jurisdictions continue to receive the base amounts of tax revenues that were generated in the year prior to the activation of the TIF area.

To qualify for a TIF, the statutes require three main items that overall demonstrate the need for TIF and how those revenues will be used. First, the proposed area must be designated as "blighted" or a "conservation area" before TIF can be used. The blight or conservation area designations are defined by law and include multiple qualifying factors, ranging from physical deterioration, improper platting, and others. In addition, a cost-benefit analysis showing the overall impact of the proposed TIF on the taxing jurisdictions and an estimate of the TIF revenues that will flow to the developer must be conducted. Finally, a Redevelopment Plan that details the overall boundaries of the TIF area, the current uses of the site, the proposed development plan, and how those TIF revenues will generally be utilized must be submitted.

TIF allows the feasibility gap to be closed in some instances so that a development that is desired by a community can occur. The process—from the first submission of a TIF plan to a municipality to the ultimate operation of a completed development—typically takes years, and sometimes decades. The TIF is applied for early in the overall development process, often at a concept or schematic design phase, as a private developer would not proceed with a project that is otherwise infeasible without a TIF approval or some other incentive. Final drawings, material selections, or finalized tenanting strategies are generally not available at this point in time. The municipality and ultimately the TIF Commission are approving the overall concept (i.e. type of development program, scale, phasing, use of funds, etc.) that would be constructed in the area.

After approval by the local government and TIF Commission, the developer then proceeds to refine its vision for the area, producing construction drawings, presenting to design review boards, and otherwise fulfilling any municipal requirements for the overall aesthetics and quality of the development as required. Construction then proceeds. TIF revenues are collected over the 23-year period that generally starts when the TIF is enacted by the local government.

As noted above, TIFs are often approved in the concept phase of development. Development, especially projects that feature multiple buildings or uses, occurs over a period of years. Because the market frequently changes after a TIF is approved, it is not uncommon for a developer to ask for an amendment to the original Redevelopment Plan to modify the development program or other aspects of the project. While this allows for the developer to respond to changing market conditions, it also allows the municipality to reassess its ultimate goals for the community and propose additional requirements at that time.

WEST PACIFIC AVENUE TIF PROPOSED PROJECT LAND ASSEMBLY & LAND DEVELOPMENT COSTS

SG Collaborative plans to utilize TIF to offset site work and infrastructure costs. The TIF area is characterized by substantial changes in topography, the presence of a protected waterway, and a lack of road infrastructure that serves the site's interior. In addition, the site is located immediately adjacent to an active rail line, which will likely require additional safety precautions during construction. In addition to these limitations, the proposed TIF area is populated with multiple active businesses. If the TIF is approved, certain buildings will be demolished, tenants will be relocated, land will be regraded, new roads/utilities will be installed, and then individual sites will be made available for development, per the proposed development program. The costs to perform this type of work will be substantial.

Essentially, the economic feasibility of the TIF lies in understanding the land development economics of the project due to the considerable costs described below. According to SG Collaborative, they are targeting an *overall net land price per unit,* inclusive of any TIF funding, of roughly $25,000 for the development of multifamily buildings to be economically feasible.

Land Assembly, Relocation, & Demolition: Currently, SG Collaborative is projecting acquisition costs of $20.2M for the entire 14.3-acre area, or $27,000 per multifamily unit. This amount does not include any of the sitework, testing, or other work necessary to make the property marketable, which will be discussed in a later section. Based on our conversations with SG Collaborative and with other developers in the area, most developers focusing on the construction of multifamily projects target a per unit land cost between $19,000 and $25,000. Generally, the other developers we spoke with mentioned that a land cost of $25,000 in Webster Groves is likely on the edge of what is considered feasible. However, it should be noted that this projected $25,000 land cost per unit is inherently inclusive of the office and retail uses, which is atypical for standalone multifamily development. The developer has reported that it has no current options or other agreements to purchase any of the properties in the TIF area, so it is likely that the projected acquisition price includes some cushion for higher-than-anticipated acquisition costs.

The TIF area includes multiple active businesses that will need to be relocated for the new development to proceed. The additional expense of this work adds an additional burden on the developer that must be then priced into the overall value of the project. Currently, the developer projects relocation costs to total $750,000, which appears reasonable.

In addition to the purchase of the properties and relocation of businesses, the developer will need to demolish the majority of the structures within the TIF area. Given the age of most of the buildings, additional care will likely need to be taken to remediate any contaminants (lead paint, PCBs, asbestos, etc.) from the buildings during demolition as well. In total, the developer expects demolition and remediation work to cost roughly $660,000. It should be noted, however, that no analysis of environmental contamination within the existing structures has occurred; therefore, this amount is an estimate based on previous experience with some cushion for the risk involved in pricing the demolition without additional information.

In total, the developer expects land acquisition, relocation, and demolition costs to total $21.6M. Again, it is likely that the acquisition costs in particular are slightly inflated at this time, as the developer has no agreements to purchase any of the properties in the TIF area.

Comparable Property Sales: Development Strategies has compiled a list of similar property sales for comparison purposes. These sales were for the development of mixed-use multi-family housing located near a downtown area.

Based on these sales in the area, along with the realized development program, the average land acre is $1,075,000 excluding 8500 Maryland Avenue, which is located in Clayton.

Comparable Listings & Sales

For Sale Properties

Address	Use	List Price	Acres	Price per Acre	Notes
40 N. Rock Hill Road	Industrial/Warehouse	$ 1,900,000	1.8	$ 1,056,000	In proposed TIF area

Sales Comps

Address	Use	List Price	Acres	Price per Acre	Notes
226 E. Lockwood		$ 800,000	1.5	$ 533,000	Location of The Elle on Lockwood
1107 Linden	Residential	$ 3,700,000	3.26	$ 1,135,000	For the construction of 42 Condo Homes
43-55 Topton	Residential	$ 913,500	0.78	$ 1,171,000	For the construction of 18 Condo Homes
8500 Maryland	Multifamily/Retail	$ 7,500,000	1.97	$ 3,807,000	For the construction of the Barton Apartments, in Clayton
2001 S. Lindbergh	Office/Retail	$ 16,550,000	14.87	$ 1,113,000	
621 N. Skinker	Office/Retail	$ 1,500,000	1.42	$ 1,056,000	
Weighted Average (excl 8500 Maryland)				$ 1,075,000	

It should be noted that the sales above were of properties that did not require significant amounts of infrastructure and sitework like the subject property will likely need. Instead, these properties generally are smaller and have access to adequate street and utility services. SG Collaborative will be required to introduce new basic infrastructure to the entire TIF area, which will add significant costs to the project. While in a normal situation one would expect that the purchase price of the TIF area properties would be significantly lower due to the large future sitework and infrastructure requirements, the fact that active, ongoing businesses are located on the properties requires the development group to pay market rate for those properties in their current conditions.

The total TIF area is over 14 acres, but a sizable portion includes undevelopable or marginally developable areas, especially surrounding Shady Creek. Therefore, this implies that SG Collaborative's actual projected cost per 'developable' acre is actually higher than $1.6M per acre.

In addition, while other property sales in the area, including the Elle on Lockwood and the former Shriners Hospital site on Lindbergh, show average per acre prices around $1.1M per acre, those sales did not generally include costs associated with the relocation of active businesses or require the assemblage of multiple properties. In the TIF scenario, the developer will be negotiating with a diverse group of property owners, and there is a possibility that certain owners will hold out for additional money. Based on other property sales in the area, the projected acquisition price per acre, which includes rights-of-way that will need to be vacated, is high compared to similar acquisitions in the area, especially when the need to perform significant site work and bring in new infrastructure to the entire area is considered. However, this acquisition price is likely based on the assumption that prices will increase significantly when/if a TIF is approved, as the existing property owners will try to maximize their individual returns.

Site Work & Testing: Typically, development sites for multi-family mixed-use properties require a minimal to moderate amount of sitework. However, the proposed West Pacific Avenue TIF's location is heavily sloped to the north/south and uneven to the east/west. To make the majority of the area ready for new mixed-use construction, a significant amount of infill and excavation will reportedly occur in various parts of the site. The developer projects that this work will cost roughly $6.625 million.

Based on conversations with other developers in the region who are familiar with the site, this estimated sitework cost appears reasonable, especially given the unknown nature of the quality of the soils and other geologic features at this time. Additional testing, which is included in SG Collaborative's preliminary budget, will shed further light on the exact type of site work that must occur to prepare the area for new development

Infrastructure: The proposed West Pacific Avenue TIF area is currently served by existing infrastructure of unknown age, quality, and capacity. The road network into the interior of the site is limited, and the only way to access the site from downtown Webster Groves is via Gore Avenue or Rock Hill Road. The developer has proposed to construct a new street running east-west through the site, an access road running generally along the Pacific Avenue right-of-way and substantial utility service improvements. The developer will also provide structured parking to serve the various components of the development. Together, this work is expected to add an additional $3.6 million to the cost of the project. Given the extent of the work necessary in the area, these costs appear reasonable.

Development Amenities: In addition to the infrastructure costs, the developer has proposed an array of public and private amenities for the project. These include a pedestrian bridge to improve access between the project and downtown Webster Groves, signage, and public art displays. Together, these amenities are forecasted to cost around $6.4 million. It should be noted that the pedestrian bridge over the railroad tracks accounts for more than half of this expense.

Hard Cost Contingency

In addition to the estimated cost of the actual work to be performed, a developer typically carries a contingency fund to cover unforeseen circumstances as they arise. Currently, SG Collaborative is carrying a hard cost contingency of roughly 20% for the land development work. This seems appropriate, as the land development portion of the project is likely the riskiest at this stage, given the unknown soil issues, acquisition costs, and other factors. However, it should be noted that this is an additional 20% contingency on an already high acquisition cost, thus inflating the total costs more.

Soft Costs & Soft Cost Contingency

The actual construction of a development is only one part of the entire work. A host of other professionals and consultants provide design, legal, and financial services that add to the total cost of the development. Generally, soft costs can range from ten to thirty percent of the overall cost of a project, depending on the overall size and scope of the work to be performed. At present, SG Collaborative is projecting total soft costs of roughly 15% of the total project cost. While this is a reasonable estimate, additional refinement should be expected as the developer finalizes agreements with design and legal professionals, confirms financing arrangements, and estimates the costs of approvals.

West Pacific Avenue TIF Proposed Building Construction Hard & Soft Costs

Building Construction Costs: In addition to the infrastructure costs, the developer has provided preliminary costs for the construction of the proposed multifamily, retail, parking, and office components of the project (see table below). For the multifamily buildings, SG Collaborative is focused on providing structured parking topped with stick-built apartment and condo units rising 4-5 stories. By limiting the building height, the developer avoids using heavier steel construction, which costs substantially more. Similarly, the office portion of the development features stick-built construction that helps keep costs in check. Overall, these projected preliminary costs are generally in-line with similar developments in the area.

For the construction of the apartment, office, and retail space, SG Collaborative is carrying a 5% hard cost contingency, which is reasonable given their recent activity in the market developing other similar properties. This recent experience translates to more certainty surrounding the pricing of the materials and labor needed to complete the project. However, it would not be unrealistic to see a contingency of 10%.

SG Collaborative is projecting total soft costs for the construction of the buildings to total $33M, or roughly 15% of the total costs to construct the buildings. While this appears reasonable, they are carrying only a four percent contingency on soft costs, which may be too little.

Total Costs Per Multifamily Unit

The developer provided detailed cost estimates for the construction of multifamily units. Given the costs associated with purchasing an active marketable site and with the extraordinary land development costs, the development is effectively infeasible without subsidy

Market Considerations & Typical Development Procedures

SG Collaborative has provided additional information regarding their understanding of the current market and the construction timeline.

Market Rents: The developer projects multifamily rents that will be higher than most for-rent multifamily properties in Webster, much of that due to the fact that Webster lacks significant new multifamily development, aside from The Elle on Lockwood. A market study points to rents on par with Kirkwood or other closer in suburbs. Given the adjacency to Old Webster, it is likely that a well-designed and amenitized product could achieve these rents. However, it is unlikely that the property would be able to achieve rents on par with similar developments in Clayton or other suburbs that have better highway/transit access and adjacency to major employment centers.

It is assumed that the rents for the office and retail portions of the development will be at market rates. Note that new retail construction frequently requires higher rental rates than older more established neighborhoods. Often, the only tenants that can afford these types of rents are national brands.

Construction Timeline & Product Absorption: At present, SG Collaborative is projecting a five-year development timeline for the multifamily/retail /office mixed-use portion of the development, which allows properties to be developed over time instead of all at once. SG Collaborative plans to begin with the construction of roughly 200 apartments and around 45 condos, followed by additional development of apartments every 1.5 years. The office building will be constructed when a viable tenant is identified.

According to the market study provided by the developer, there is annual demand for roughly 1,000 units of new multifamily product over both the primary and secondary market areas defined in the report. While the defined market areas point at the area nearing market saturation, there is still room for additional development that the West Pacific Avenue TIF could reasonably capture. It should be noted that the study's primary market area included not only Webster Groves, but a large portion of south St. Louis City and the Central West End, and roughly 80 percent of the demand for the units at the West Pacific Avenue TIF would be expected to come from this primary market area. It should be noted that new multifamily buildings generally take some time to be fully occupied, often over a year, so there should be an expected lag between the opening of each 'tranche' of multifamily development and stabilized occupancy.

Development Density & Project Feasibility: Currently, the developer is proposing to construct approximately 746 multifamily units on the site in buildings ranging between five and seven stories, which is inclusive of structured parking. It should be noted that due to the site's topography, the first one to two-stories of the structures will likely be built 'into' the ground so that they are only partially exposed. However, even a traditional five story building is considered large for Webster Groves.

Similar residential developments have been built recently in St. Louis County, ranging from a more 'standard' suburban apartment development to a 'denser' development similar to the proposed. Typically, these developments generally had land sales costs between $20,000 and $25,000 per unit, which is in line with general land costs for development in much of St. Louis County. The table below shows a range of apartment developments in St. Louis County and the total units per acre for each development. It should be noted that the proposed development is more similar to The Barton and Mansions on the Plaza in terms of scale and density.

Apartment Comparables

Address	Number of Units	Acres	Units Per Acre	Number of Stories	Notes
226 E. Lockwood	45	1.50	30	3	Location of The Elle on Lockwood
Vanguard Heights	174	3.60	48	5	Apartment building wraps around structured parking
Vanguard Crossing	202	6.00	34	4	Apartment building wraps around structured parking
The Barton (8500 Maryland)	229	1.97	116	7	Five story apartment on top of two-story parking deck
Mansions on the Plaza	208	1.10	189	7	Five story apartment on top of two-story parking deck

The developer projects overall land development costs, inclusive of TIF, to be $22.9M, or $1.6M per acre. Roughly $4.2M is allocated to the land cost of the office development, leaving $18.7M in land cost that must be absorbed primarily by the multifamily development. Assuming that roughly half of the overall 14.3-acre site is either allocated to the office or not usable due to the active flood plain, terrain issues, or the presence of public infrastructure, the 'net' price of remaining usable acreage for multifamily is near $2.7M/acre.

We assume that seven acres will be dedicated to the apartments. Given that assumption, there will be roughly 106 multifamily units per developed acre. Given the accepted range of $20,000-$25,000 for land cost per unit in the area, the site must be supplied with a minimum of 748 units for the project to be considered feasible. This is in line with similar multifamily developments located adjacent to active downtown areas (The Barton, Mansions on the Plaza).

Workforce Housing: In a typical market-rate development, the developer will only build as many units as they believe the market will absorb at the rents that they must achieve to make the project feasible. In a scenario where subsidy is at play, the developer may choose to include additional features, such as affordable housing components, to allow more of the public to be able to access all aspects of the development. When these additional requirements for affordability are introduced, the calculation of the overall project's feasibility changes. While the land development and building foundation costs will generally remain fixed, the addition of affordable units, which cost the same amount to build as market-rate units, adds variable costs that aren't reimbursed at the same rate. Essentially, this forces the developer to build more market rate units than they likely would have otherwise to recoup some of those variable costs attributed to the workforce housing units. This in no way means that workforce or other affordable housing components should be eliminated, it should simply be understood that the introduction of those components changes how the overall feasibility is calculated.

At present, SG Collaborative has committed to providing approximately 10% of the total units available (roughly 75 units) as workforce housing for those making under $42,000 per year (no more than $1,050 per month, assuming 30% of salary goes towards rent).

CONCLUSION

Overall, the proposed redevelopment project of the Old Webster area is complicated, and features many significant factors that must be weighed heavily. The original RFP released by the City of Webster Groves was relatively open-ended, given potential applicants the ability to provide a wide range of potential development types. However, only one developer submitted. The proposed multifamily based mixed-use project is likely the highest and best use of the property, given the relative lack of support that can be anticipated for other traditional development types.

At present, the developer is approaching the project as a land development deal, meaning that they will focus primarily on the acquisition, regrading, and introduction of new infrastructure before selling individual lots to other developers to complete the multifamily, townhome, retail, and office portions of the development, including:

Factors that Affect Overall Development Costs

- Projected high acquisition costs, but further clarification/refinement is needed from the developer as purchase agreements are finalized
- Extraordinary costs to introduce new infrastructure, utilities, and other public amenities
- Difficult to develop site, that features significant terrain issues further increasing the cost to develop
- A large portion of the site is effectively unusable (creek bed, areas dedicated to public right-of-way, etc.), rendering a higher net cost per usable acre

To combat these issues, the developer is proposing to utilize TIF to offset the costs of the public infrastructure portion of the project. This will help maintain a reasonable cost that can feasibly be borne by the future development. That said, we strongly encourage SG Collaborative to further refine their projected cost numbers, especially with regards to acquisition costs, as the current projects appear very high given recent sales in other parts of the County and the fact that portions of the overall 14.3-acre area will be effectively unusable.