

A CATALYST STRATEGY FOR THE ECONOMIC ENHANCEMENT OF OLIVETTE






JUNE 2016

DEVELOPMENTSTRATEGIES®

Table of Contents

Chapter 1

INTRODUCTION AND SITE MARKETABILITY

Thriving cities tend to be those that best adapt to changing circumstances over time. Often, windows of opportunity present themselves, but they are fleeting—they must be seized upon in the right way in order to have a lasting benefit for the community. By identifying the right opportunities, and the right way to act upon them, a city can set its course for the next generation. It is with this desire that this Economic Catalyst Strategy has been undertaken.

Recognizing that the Olive corridor was not reinventing itself into the more livable and economically vibrant community center that Olivette residents desired, city leaders undertook a Strategic Plan in 2005 called "The Center of Opportunity" which established a new vision for the Olive Corridor. It identified redevelopment opportunities near the I-170 interchange that would create a community gateway and better retail options, and identified an opportunity to create a city center in the vicinity of the municipal building.

After 10 years of table-setting by city officials, there is a desire to accelerate private market development along the corridor to realize this publically-supported vision. Evidence shows there is increasing demand for development throughout the Central County area, with young professionals and families drawn to its good school districts, access to jobs and retail amenities, and proximity to cultural amenities. Yet Olivette has not realized its development potential.

The purpose of this effort is to catalyze private development by focusing on two catalyst sites, and ways in which the City can participate to ensure the best possible outcomes—ones that will set new precedents for the corridor and spur further development. These catalysts sites—the Municipal Site and the Interchange Site at I-170 and Olive—have been selected for this purpose. This study focuses on the levers that need to be pulled in order to ensure that the development of these opportunity areas reach their full potential. In doing so, the City is seeking to self-determine its future, by being an active participant in the realization of a new vision of what the Olive Corridor can be.

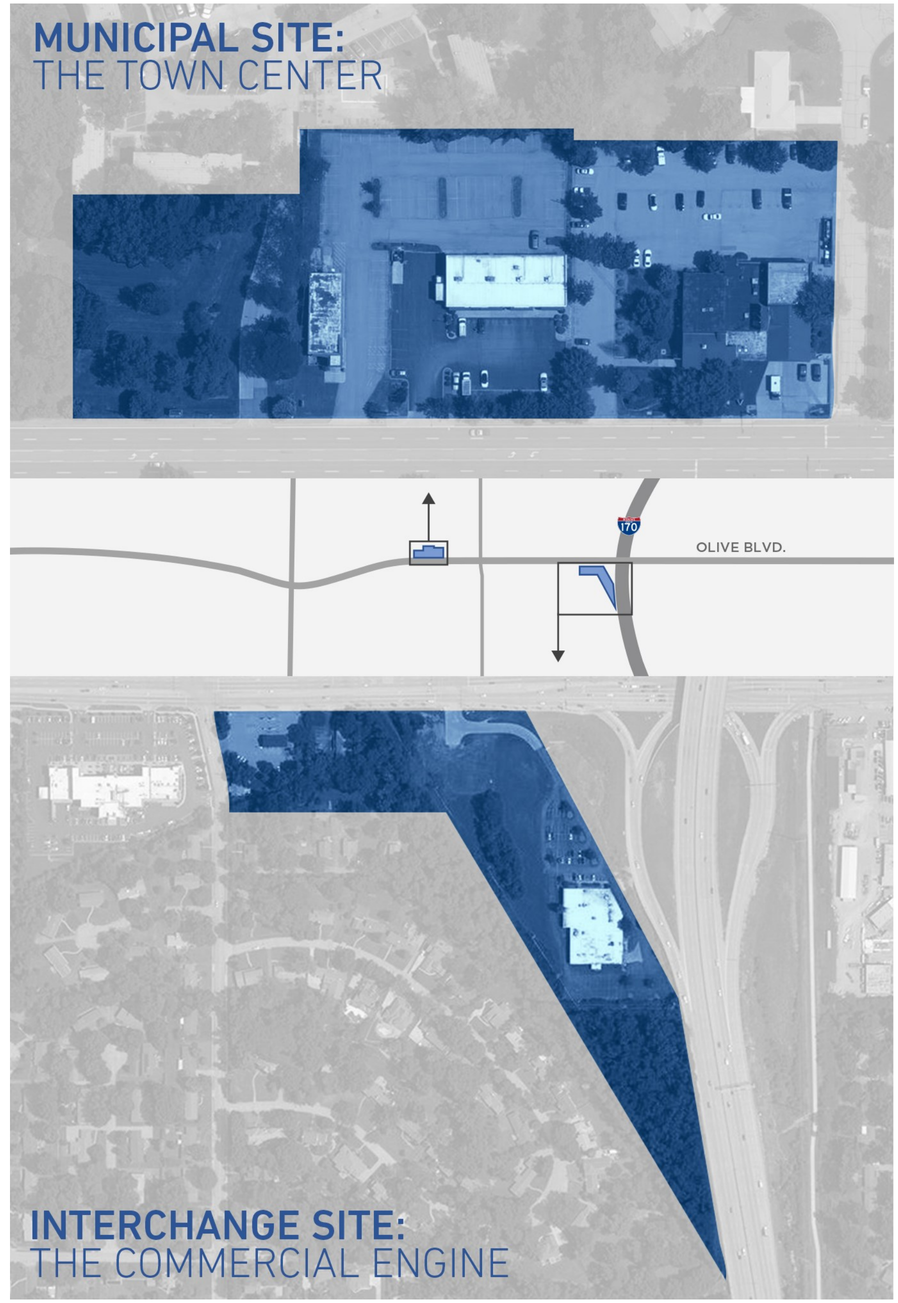
Development Strategies was commissioned by the City of Olivette to better understand what development demand exists along the Olive Corridor and the types of products that must be offered at these opportunity sites to capture this market demand. This study considers market opportunity, the market strategy to leverage public and private investment to the fullest community benefit, the economic realities of development planning and the need for public-private partnerships, and the economic strategy to utilize tools to further the goals and vision established in the City's Strategic Plan.

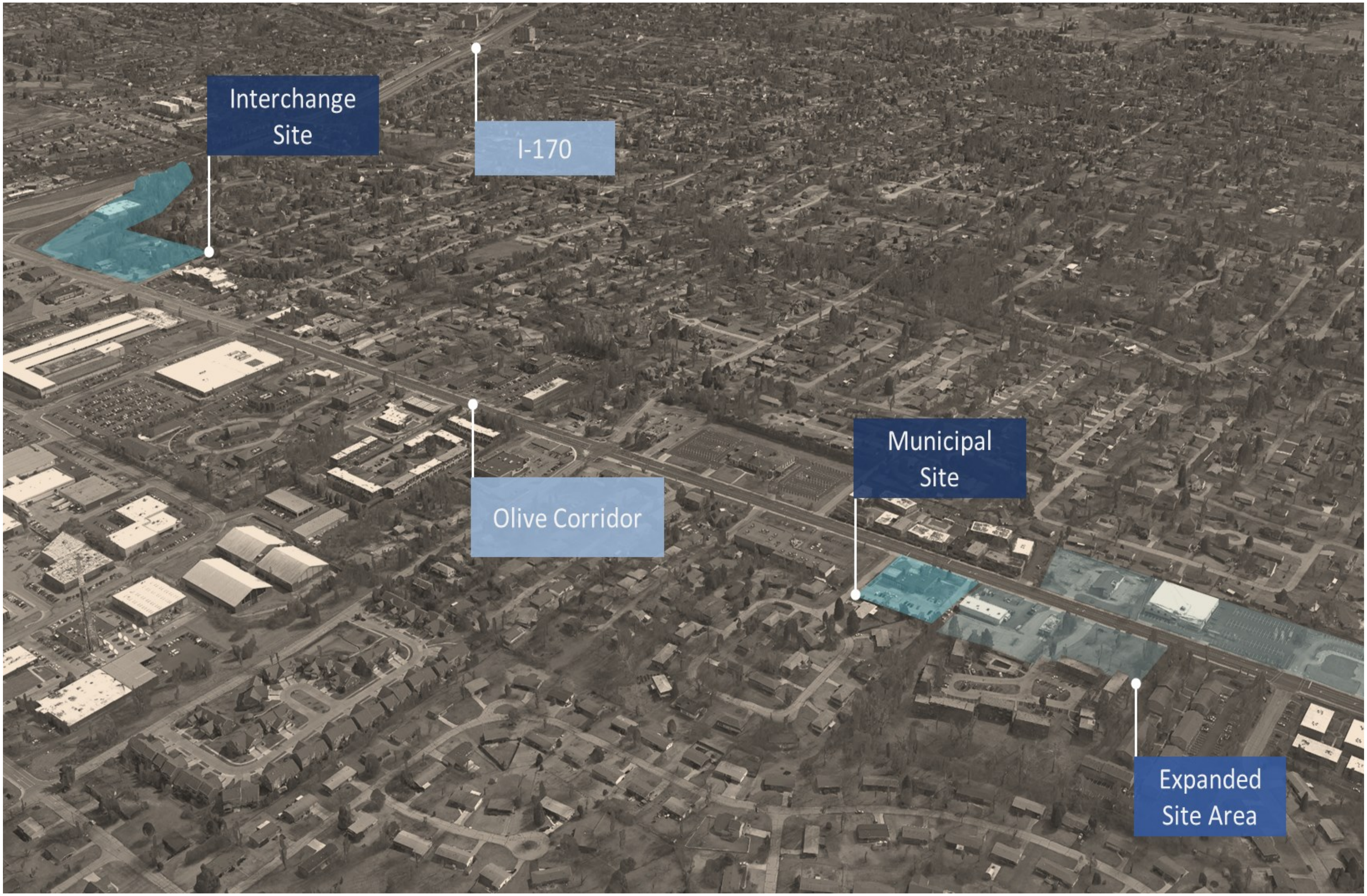
MUNICIPAL SITE/CITY CENTER

The municipal site sits roughly at the center of Olivette, making it easily accessible to all. It is well-placed to fulfill multiple goals that the City has for Olive Boulevard—attract and retain residents, provide retail and civic amenities for the community in a well-defined center, and catalyze high-quality development on nearby, underdeveloped commercial sites. The site contains approximately 1.5 acres, and additional commercial sites could be assembled to total three developable acres.

INTERCHANGE SITE

It is rare to find an interchange site like the one at I-170 and Olive—underdeveloped, of significant size, and along two high-traffic corridors that have experienced significant retail development. While the site is challenged somewhat by its unusual shape and varied grade, its access and visibility are excellent. It is the gateway to the city, and any development on it will set the tone for the rest of the Olive corridor through Olivette. While the municipal site is poised to serve and transform the local Olivette community, the interchange site can be a regional destination and therefore serve as an economic catalyst. It covers approximately 12 acres.




Interchange Site
I-170
Olive Corridor
Municipal Site
Expanded Site Area

A number of factors affect the ability of sites to attract different groups to live, shop, work, and recreate. These cumulative factors—their marketability—are often influenced as much by what is near a site as what is developed directly on it.

Given the volume of traffic that passes along Olive each day, there is an opportunity for the city to build up the corridor, attract more activity along it, and transform it into an attractive and dynamic activity center for both residents and visitors. The catalyst sites have a number of nearby assets that make them marketable for varying amounts and types of residential and retail development, in particular. Following is a partial list.

DOWNTOWN CLAYTON

Located just two miles to the South of the interchange site, Downtown Clayton is the St. Louis region's second largest employment center. It has over seven million square feet of (largely Class A) office space, and one million square feet of retail. It's 35,000 employees tend to be employed in high-wage professional occupations.

DANFORTH CENTER / MONSANTO HEADQUARTERS

A significant amount of high-wage employment lies just one mile west of the municipal site, making it very marketable for residential use. Monsanto is among the St. Louis region's biggest employers, with over 4,000 people, including many professionals in business management and science. While the Danforth Center currently has fewer employees (roughly 340), it is a rapidly-growing cornerstone in a regional strategy to grow and incubate the St. Louis region as a center for bioscience research. It currently employs 170 scientists and ambitious plans are underway to expand.

LADUE SCHOOL DISTRICT

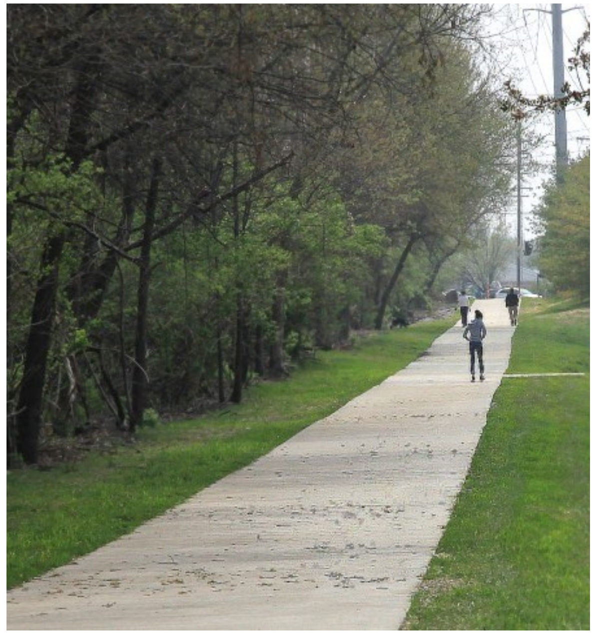
Olivette's location within the Ladue School District is immensely valuable for the marketability of residential real estate. With over 4,000 students, it is a sizeable school district that rates very highly. Schooldigger.com rated it the ninth best school district in the state of Missouri (out of 491) for 2015, and the Missouri Department of Education gave it a score of 99 percent (out of 100) for the same year.

CREVE COEUR / CITYPLACE

Another high-wage office employment center lies three miles to the west of the municipal site, on Olive Boulevard, in Downtown Creve Coeur/ CityPlace. CityPlace has over 1.2 million square feet of Class A office space that offer high-wage jobs, and feature prominent employers, such as Microsoft. It also has several desired retailers, including Trader Joe's.

BRENTWOOD / GALLERIA RETAIL

Just three miles to the south of the interchange site lies the greatest concentration of retail, with the widest range of retailers, in the St. Louis region. Between the Galleria Mall and various lifestyle centers and big box developments, the area has over two million square feet of retail. It has several coveted retailers, including Pottery Barn, REI, Whole Foods, The Container Store, and many more.



I-170 INTERCHANGE

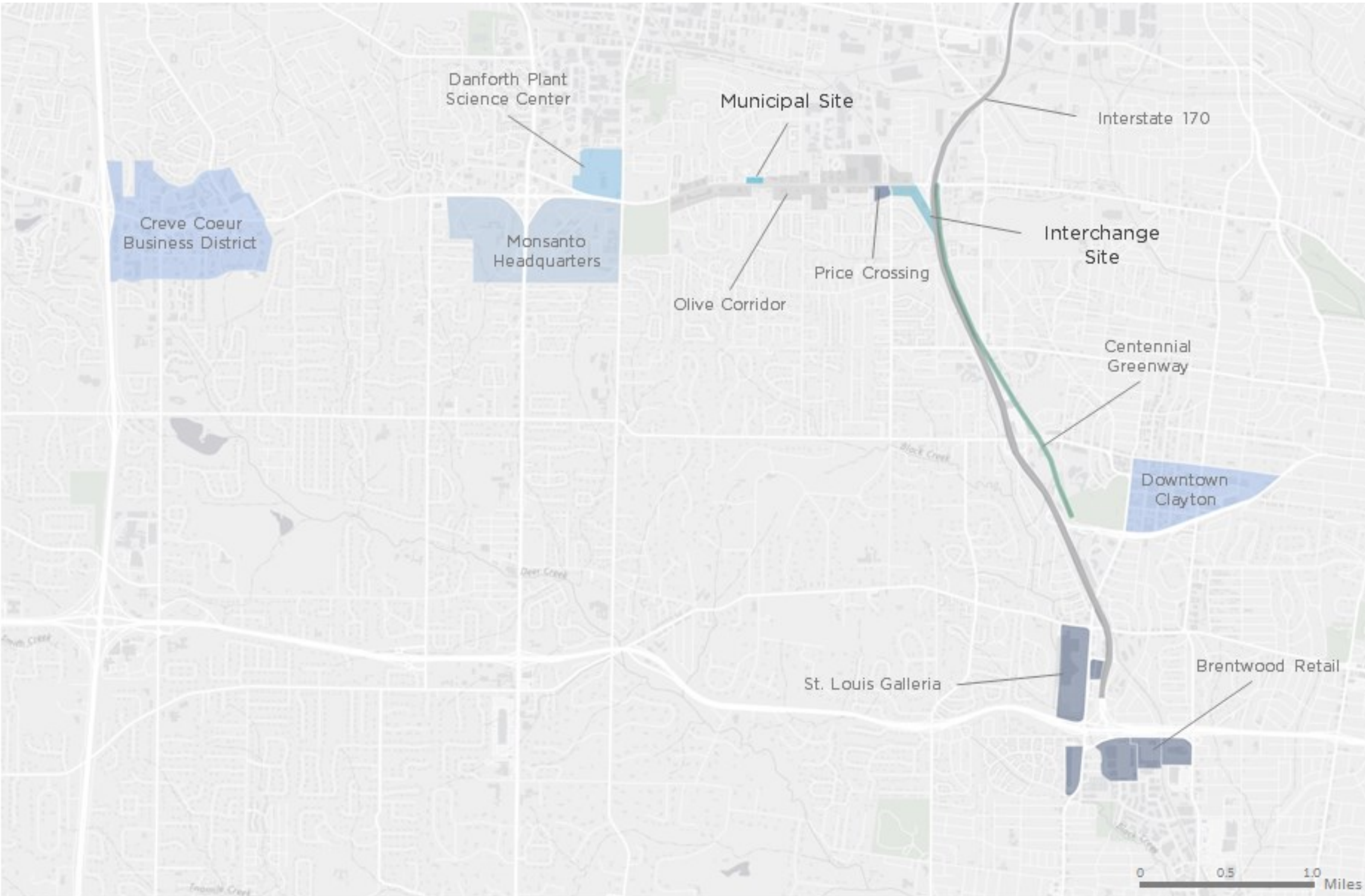
According to MoDOT, the interchange receives 120,000 trips per day, providing excellent vehicular access and visibility to potential retail, office, or hospitality uses at the interchange. The I-170 corridor links several of the St. Louis region's biggest assets, including employment in Downtown Clayton, retail in Brentwood, and Lambert International Airport.

CENTENNIAL GREENWAY

The Centennial Greenway is currently three miles in length, and links the interchange site to Downtown Clayton and Shaw park. It is part of the ever-expanding regional greenway system that is being funded by Great Rivers Greenway, and is an excellent marketability and lifestyle amenity that can be further tied into with bike and pedestrian enhancements along the Olive Corridor.

PRICE CROSSING

Developed roughly 10 years ago, Price Crossing represents the first relatively large-scale private investment in the Olive Corridor, following the Strategic Plan effort in 2005. It is anchored by the flagship Sugarfire Smokehouse, which consistently rates among the highest quality barbeque restaurants in the St. Louis region, as well as one of the most popular.


Danforth Plant Science Center
Municipal Site
Interstate 170
Creve Coeur Business District
Monsanto Headquarters
Interchange Site
Price Crossing
Olive Corridor
Centennial Greenway
Downtown Clayton
St. Louis Galleria
Brentwood Retail
0
0.5
1.0
Miles

This process includes market analysis to establish a baseline of development opportunities that are possible at the study sites and provides the market strategies needed to create the environment in which that development is marketable. Development projects are then tested against economic considerations such as land and construction costs, to see if policies are needed to improve the likelihood of desirable developments.

Market and economic analysis are required, in tandem, to fully understand development conditions, and why some types of development are more or less likely to occur without public intervention. While market analysis established a baseline of understanding on the revenue side of the development equation—how much development can occur, and what rents and sale prices are achievable, economic analysis considers the cost side of the equation, which includes land and development costs, and whether or not a desired product can realistically be delivered to the market.

While analysis provides a baseline of understanding, it is the strategies that add the value. Market strategies ensure that the conditions—including improvements to the public realm, effective marketing and branding, and the design of products to target specific markets—area created that enable market potentials to be realized. Economic strategies align economic policies with strategic community initiatives to create conditions under which desired development can occur.

MARKET ANALYSIS

In the first portion of this report, a market study is conducted in order to understand the scope of development products that are supportable within the downtown. Site context is understood, demographics are studied, current product supply is surveyed, and demand is analyzed, resulting in a marketable housing program.

MARKET STRATEGY

Building upon the market study, a market strategy evaluates ways in which to add value to existing and potential market opportunities. A market strategy will take a set of market opportunities and mold them into something that is better than the sum of their parts, whether through curating the right mix of uses or tenants, creating an inviting public realm, identifying optimal locations, adding amenities, aligning design (such as architectural features) with consumer demand, or targeting underserved niches.

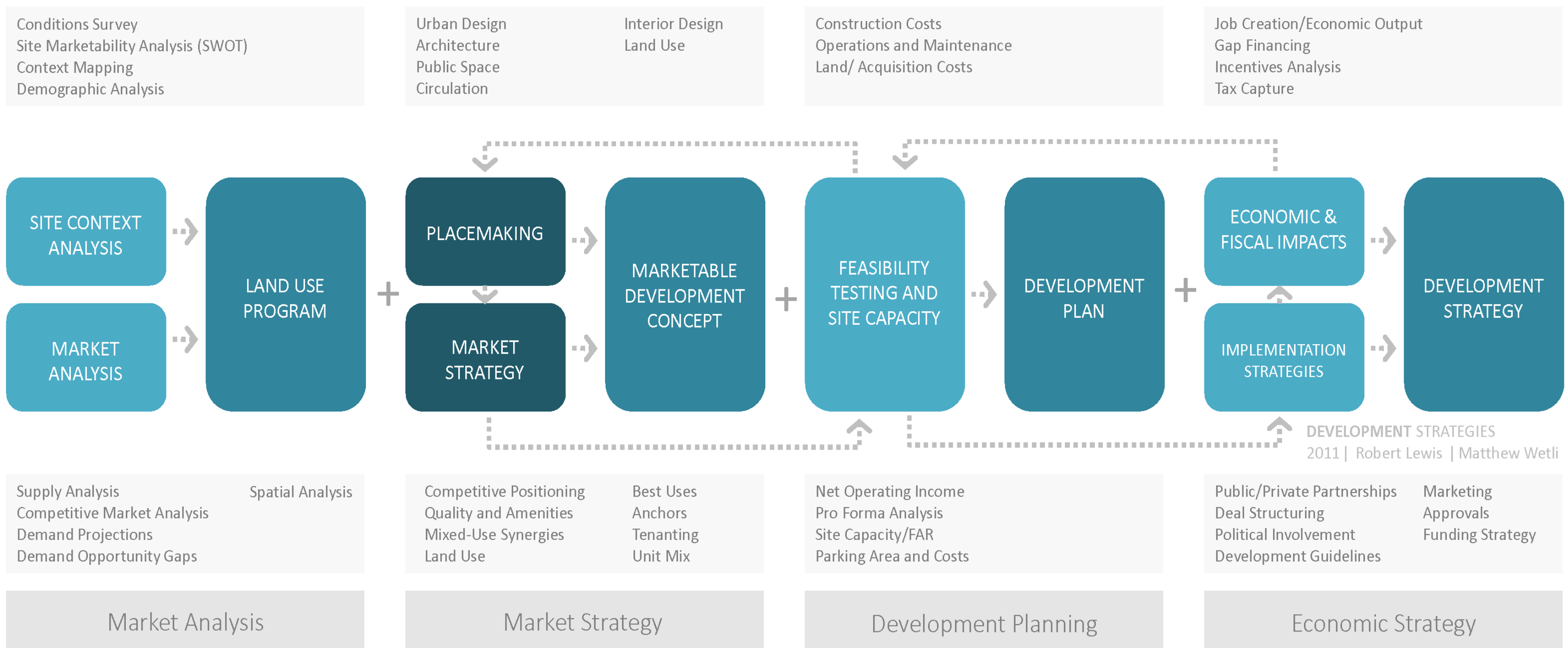
DEVELOPMENT PLAN

In this phase, development economics—construction and acquisition costs, facility operations, etc.—meet market analysis. This is known as feasibility testing, which involves identifying products—be they housing, retail, etc.—for which the economic returns justify the development costs. If a project passes this test, it is well on its way to becoming a "real project". Often the amount of density that is achievable can make or break the viability of a project, so site feasibility testing is an important component. The goal of a development plan is often to identify one or more catalyst projects that can potentially stimulate an even greater amount of development that is both feasible and supported by the community.

ECONOMIC STRATEGY

Often a number of opportunities are identified that would benefit a community, but the development projects are not quite viable—often because the development costs are greater than the economic returns. In such instances, the potential benefits to the community must be carefully weighed against public involvement—financial or otherwise, to determine if the ends justify the means. In addition to evaluating the potential economic value of public assistance, the development strategy provides policy suggestions and recommendations to improve economic conditions and thus achieve desired development.

DEVELOPMENT STRATEGY PROCESS

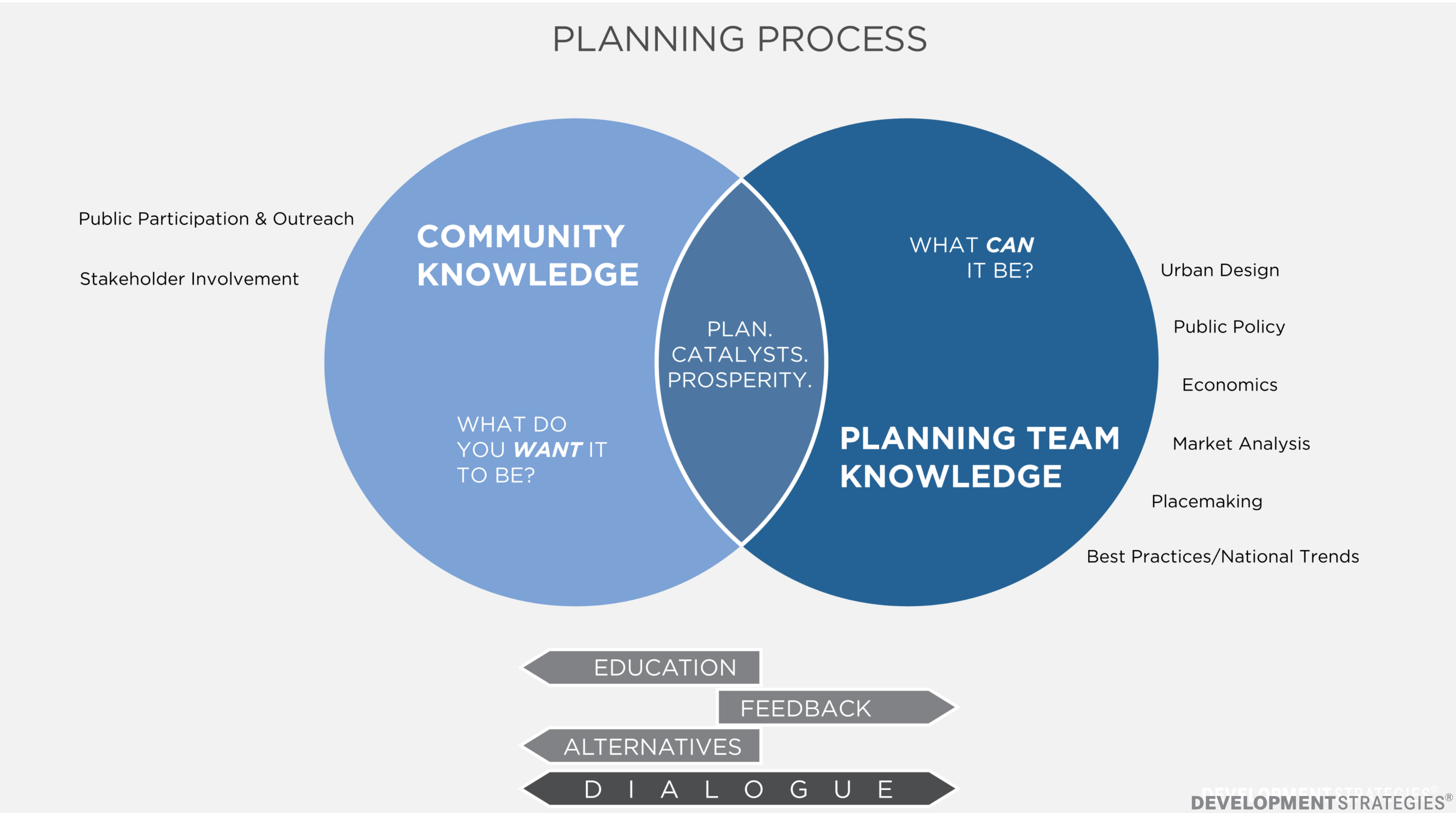


DEVELOPMENTSTRATEGIES®

KEY STAKEHOLDERS

An integral part of any development process involves engaging with stakeholders who could be impacted, either positively or negatively, by any redevelopment.

Development Strategies met with a variety of stakeholders in the Olivette community to understand their vision for development at the opportunity areas. These stakeholders included local business owners and employers, city residents, and land owners of sites adjacent to and nearby the opportunity areas. Further, Development Strategies met with developers who work in the St. Louis region, particularly those with experience in and around Olivette and the Central County area, to elicit their feedback on what types of development would be marketable and feasible at the opportunity areas. A full list of stakeholder meeting attendees is included in the Appendix.



Chapter 2

REGIONAL CONTEXT AND OPPORTUNITY AREAS

Demographic shifts and changes in lifestyle preferences are impacting how people live, work, play, and interact with their environments.

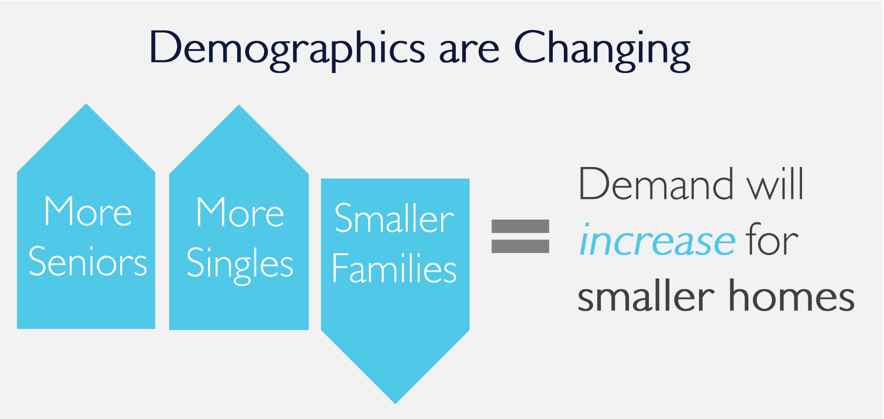
These shifts can be seen not just on a national scale but regionally and locally as well. These factors have far-reaching and significant impacts on what types of new real estate development will be successful, including in Olivette and the surrounding Central County area.

MARKET TRENDS

The population is growing and shifting demographically, implying that the types of housing offered will have to be altered to meet changing needs. Major trends include:

- **National growth:** The U.S. will reach 400 million people around 2040, up 100 million from 2005.
- **Housing demand:** The next 100 million people will require 40 million homes. Add 30 million replacement homes, and 70 million homes will be constructed through 2040, an average of two million homes per year.[1]
- **Fewer families:** Households are becoming more diverse. In 1960, 48 percent of households had children. By 2025, this number will be reduced to 28 percent. Simultaneously, 28 percent of housing units in 2025 will be occupied by a single person, up from 13 percent of units in 1960. [2]
- **More seniors:** The population is aging: 41 million of the next 100 million will be over 65.[1]

At the same time, consumer preference surveys show a shift in housing and community preferences that align with these demographic shifts. Surveys indicate a slight majority or sizeable minority prefer walkable communities and will live in dense, walkable environments if it places them closer to jobs and amenities.



- **Walkability:** 33 percent of residents in conventional suburbs prefer a more walkable environment.[3]
- **Mix of uses:** 49 percent prefer a neighborhood where they can walk to nearby shopping.[3]
- **Underserved market:** 20 to 40 percent of residents showed a preference for compact, walkable neighborhoods, but only five percent live in such an environment.[3]
- **Smaller homes and lifestyle:** 55 percent would accept a smaller house if it meant more options to walk, cycle, or take transit.[3] Additionally, four national studies have shown that many people are willing to trade housing size for shorter commutes. [4]

Based on these data and given the city's location relative to employment and amenity centers, Olivette is well-placed for successful new development, particularly if the right community design is put in place to promote a walkable environment along Olive Boulevard that provides access to both existing and potential newly-developed retail and community amenities.

OLIVETTE’S PLACE IN THE REGION

As the most central community within Central County, Olivette reflects greater trends within Saint Louis County in terms of demographics and economics. While it has captured some of the growth and affluence of communities to the south and west, the opportunity areas present a change to further improve the city, particularly areas to the north of Olive Boulevard.

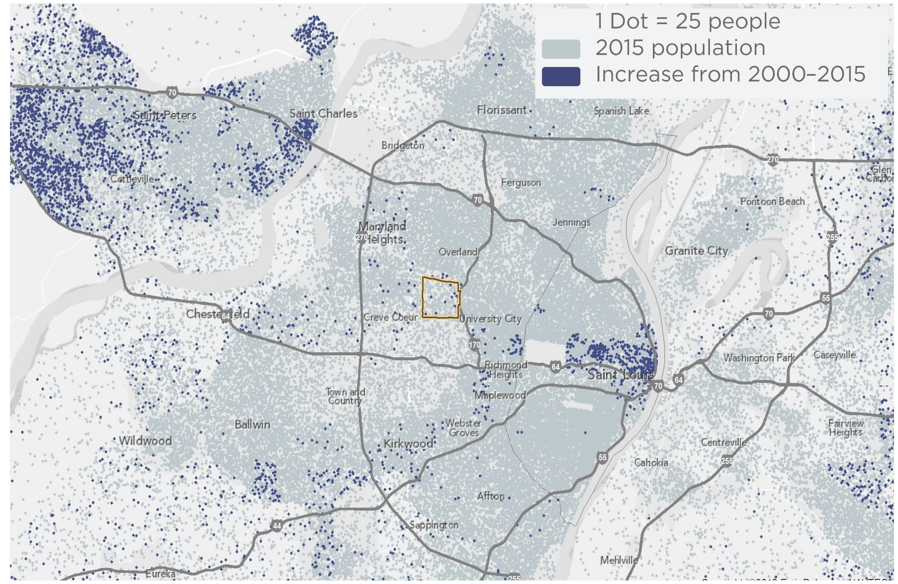
POPULATION CHANGE

While most areas of St. Louis County experienced population loss over the past 15 years, the population growth it has enjoyed has been clustered around major transportation corridors, including Olive Boulevard. Olivette’s growth rate has been comparable to or better than its neighboring communities, demonstrating its particular desirability even within the Central County area. Going forward, Olivette has the potential to attract current residents from both the City of St. Louis and St. Charles County who value its central location, as well as new residents to the area looking for good schools and a close-in suburban community with proximity to regional amenities.

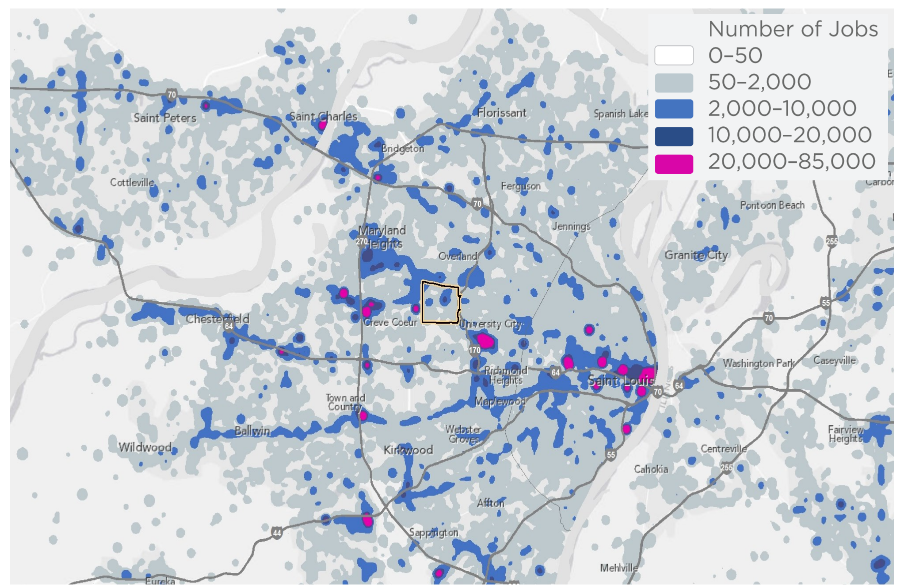
ACCESS TO EMPLOYMENT

As in most places, St. Louis’ employment centers are clustered around major highways, and in particularly around the region’s central corridor. In addition to having a significant number of jobs within the city borders, Olivette is adjacent to some of the largest concentrations of employment in the region, including in Creve Coeur and University City. Besides being an attraction for new residents, Olivette’s position also makes it a high-traffic pass-through for commuters, making it an ideal location for retail establishments as well.

POPULATION CHANGE



ACCESS TO EMPLOYMENT

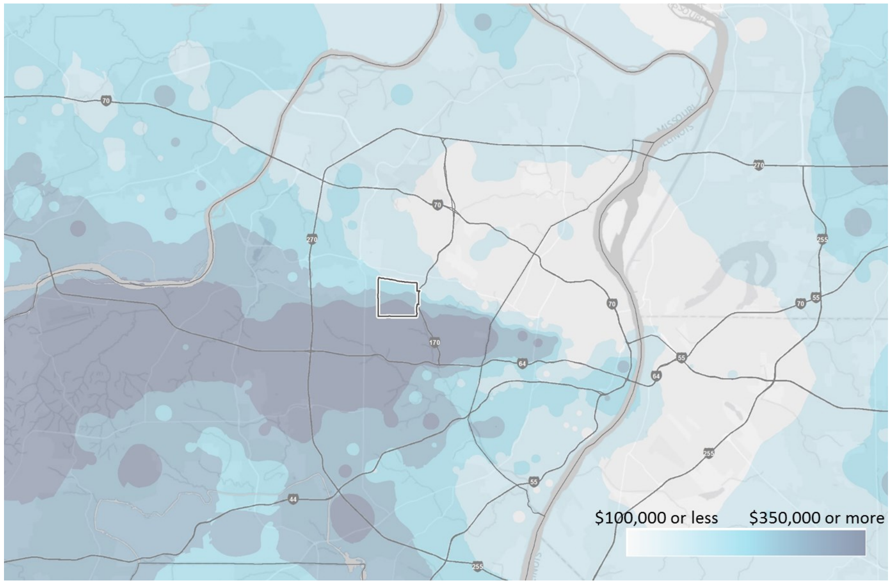


HOUSEHOLD INCOME AND HOUSING VALUE

As with population and jobs, the highest household incomes in the region are clustered around the central corridor, particularly Interstate 64. The distribution of household income in Olivette is reflective of the county as a whole, with more affluent households to the south of Olive and lower-income households to the north. This spectrum in income illustrates both a market for a variety of housing products and retail amenities, as well as an opportunity for increasing the median household income along Olive with the introduction of new housing development.

Housing values in the region track with household income, as would be expected, and in Olivette the change in housing values from south to north is noticeable. New development along Olive could serve to bring up the housing values not only along the corridor but throughout the city in general.

HOUSING VALUES

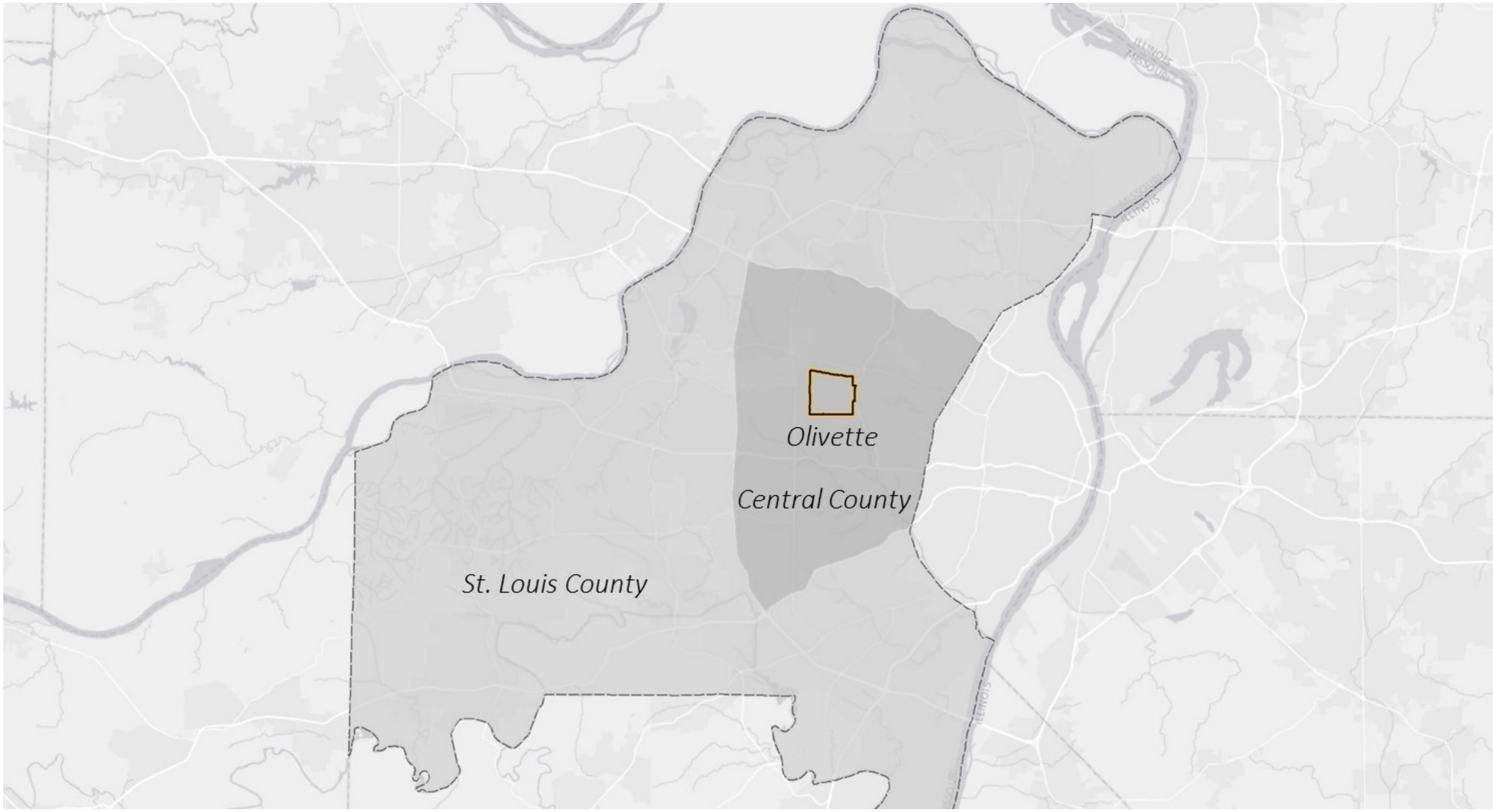


POPULATION METRICS

City of Olivette

500	New residents since 2000
178	New home permits since 2006
20%	Growth in median home value Since 2010
370,000	Jobs within a ten-minute drive of Central Olivette
60%	Of residents have bachelor's degree or higher

Source: Esri, 2016



	Olivette	St. Louis Central County	St. Louis County
POPULATION GROWTH 2010 - 2015	0.39	-0.05%	-0.12%
MEDIAN HOUSEHOLD INCOME	$70,000	$54,000	$58,000
MEDIAN HOUSING VALUE	$355,000	$213,000	$206,000

Source: Esri, 2016

Chapter 3

DEMOGRAPHIC AND MARKET TRENDS

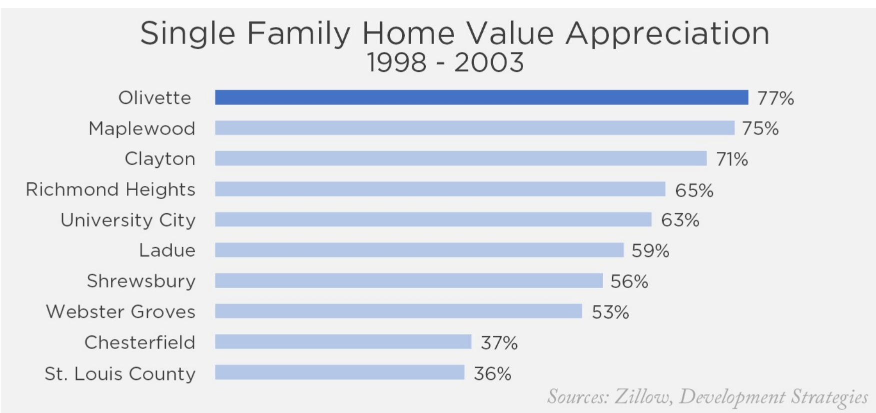
HOUSING

While demand for new condominium and dense townhome development is recovering, developing rental housing targeted at young professionals and empty nesters is a stronger short-term opportunity.

FOR-SALE HOUSING TRENDS

Following a flurry of building activity from the late 1990s through the mid-2000s, the national for-sale housing market collapsed in 2008. While the St. Louis region's housing market had been and remains weaker than the national market overall, it did not experience the same dramatic dip in housing prices. Today, median housing prices in the St. Louis MSA are higher than they were in 2005.

The for-sale housing market in Central St. Louis County particularly has thrived in recent years. Many municipalities in the area have seen home values appreciate by over 50 percent in the past 15 years, significantly higher than the county average of 36 percent appreciation. Olivette is at the top of the list of municipalities experiencing this increase, with home values in the city rising 77 percent from 1998 to 2013.

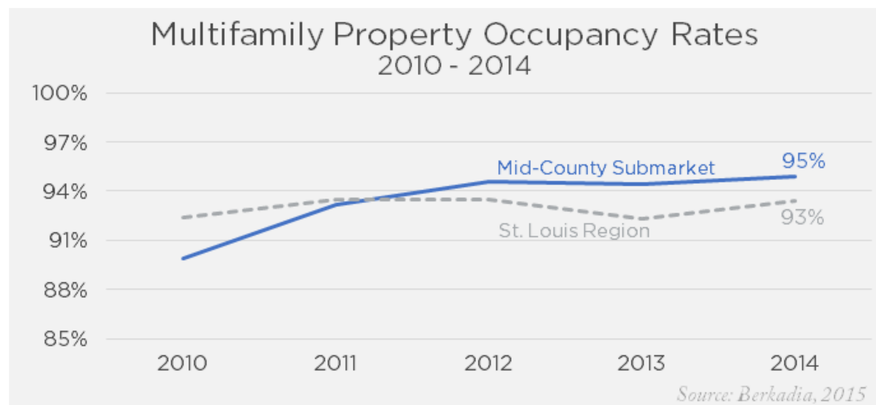


RENTAL HOUSING TRENDS

At the same time, the rental housing market has experienced a significant rebound since 2009. A number of reasons have been cited for this recovery:

- **Reduced Supply Delivery:** Unit completions were down substantially from 2010 to 2013, allowing existing supply to be absorbed.
- **Millennials:** The Millennial generation—a cohort larger than the baby boomers—has reached peak renter age. Perhaps more significantly, they are beginning to be hired into the employment market. Roughly 70 percent of all job gains in 2010 went to workers in the prime renter demographic of 20- to 34-year-olds, according to Marcus & Millichap.
- **Homeownership is Down:** After peaking at almost 69 percent in 2006, homeownership has decreased to 65 percent, resulting in the addition of over three million renter-occupied homes, according to the U.S. Census.

As with the for-sale housing market, the rental housing market in the Central County area become stronger over the past five years. While rental occupancy rates in the St. Louis MSA has remained relatively stable since 2010, rates in Central County have increased five percentage points in the same period and is higher than the region overall.



Demographics and consumer data suggests a population that would support new housing products, given good access to jobs and amenities in Central County.

DEFINITION OF MARKET AREAS

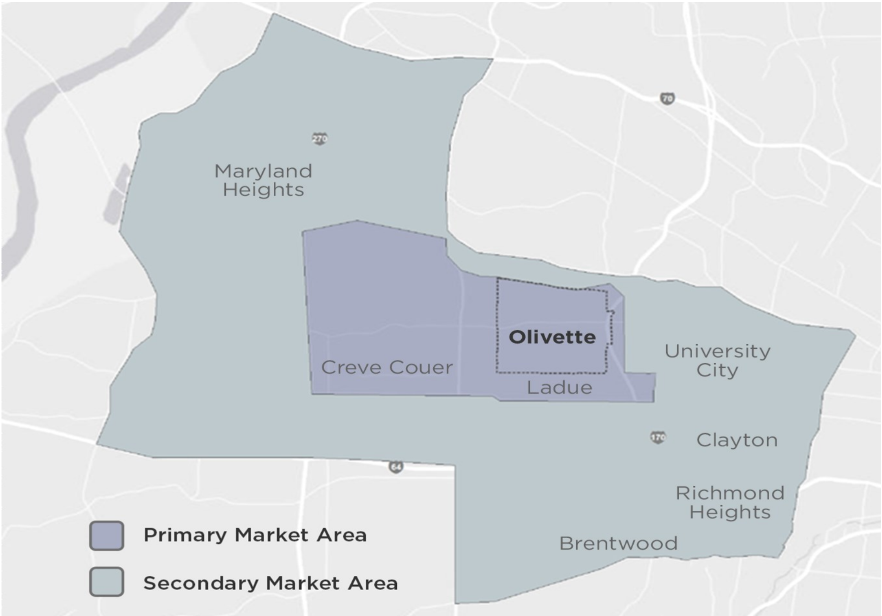
In market analysis, a Primary Market Area (PMA) is typically defined as the smallest geographic area from which a high percentage (often 75 percent) of support for a project will be drawn. In some cases, particularly in large metropolitan regions, a Secondary Market Area (SMA) is identified as the origin for most of the remaining support, in order to focus the analysis on the most relevant geographies for a project. Market boundaries are sometimes defined by hard boundaries, such as rivers, highways and other major thoroughfares, railroads, etc. Often, market areas are defined by soft boundaries—that is, marked changes in socio-economic condition, such as income, density, ethnicity, and educational attainment.

OLIVETTE MARKET AREAS

Olivette is located in Central St. Louis County. This area is defined by good access to jobs and amenities, with proximity to interstates 64, 170, and 270. Any new residential development in Olivette will likely attract residents from the surrounding communities who have already demonstrated their interest in the area. The residential PMA includes the city of Olivette itself, as well as parts of the bordering cities of Creve Coeur, University City, Ladue, and Maryland Heights. Residents in these communities would be attracted to a new housing product, particularly one located on a major thoroughfare such as Olive Boulevard. The residential SMA includes the remainder of the bordering cities, as well as parts of Clayton, Brentwood, and Richmond Heights.

The two market areas are very similar demographically and socioeconomically The PMA includes some of Central County's more affluent communities, while the communities in the SMA are more economically diverse. The PMA's population is slightly older than the SMA's, but it also has a higher percentage of renter-occupied households. These statistics suggest that there is a diverse market for new housing development in the market areas, both in terms of life stage and desired ownership status.

In addition to these two factors, this study relied partly on geo-demographic segmentation analysis, which considers not only conventional demographic variables like age and income, but also neighborhood preferences (i.e. geographic characteristics) and culture, values, and buying habits (psychographic variables). As a result, the market boundaries are not only defined by hard and soft boundaries, but by clusters of households which similar lifestyle preferences. Further, market areas different land uses are different, accounting for differences in individual and household preferences for location when it comes to housing versus employment versus shopping and leisure activities. The market areas for each land use are illustrated in their respective sections that follow.



RESIDENTIAL MARKET: RENTAL SUPPLY

New apartments in the central corridor are leasing quickly, at much higher rents than existing product.

LOCAL SUPPLY

Most existing rental units in Olivette are located in older apartment developments dating back to the 1960s. While these developments are prevalent throughout the St. Louis region, it is notable that the units in Olivette maintain high occupancy rates and high rents relative to similar products elsewhere in the region. For instance, average rents for apartments in Olivette are around $1,025 a month, which is more similar to rents in the West St. Louis County submarket as opposed to the surrounding Central County submarket. These trends suggest there is strong demand for rental products in Olivette, and that new rental units could be very successful in the city.

NEW RENTAL CONSTRUCTION

There has been significant new rental development in the St. Louis region over the past ten years, including in the Central County area. Some notable nearby developments include Vanguard Crossing in University City, Kings Landing in Creve Coeur, Allegro at the Boulevard in Richmond Heights, and Loft Condominiums at Station Plaza in Kirkwood. While these developments vary in their exterior and interior finishes and amenities, they are all over 90 percent occupied and average rents of $2,000 per month for two-bedroom units. Two additional upscale apartment rental developments are being built just west of Olivette along Olive Boulevard in Creve Coeur—Vanguard Heights and The Vue at Creve Coeur—and will add over 350 units to the market. Asking rents for Vanguard Heights, which is set to open in early 2016, range from $2,150 to $2,750 for a two-bedroom unit.

CONDOMINIUMS

A number of upscale and midscale condo products were built in the early 2000s in nearby University City, Clayton, and Creve Coeur. Recent sales of these units indicate a wide spectrum of values that are likely driven by location. For instance, condo units in the Clayton school district sell for $20 to $30 more per square foot than those in the University City school district. Further, condos at Mills Crossing, with good visibility from Olive Boulevard, have sold better than those at City Place, which are surrounded and hidden by office buildings and hotels. These variations suggest that the municipal site, with its location on Olive Boulevard in the Ladue school district, has promise for condo development. However, the condo market has not rebounded from the housing crisis as strongly as the rental or single-family for-sale markets, and any potential for new condo development would likely be in the long-term—potentially five to ten years in the future.

TOWNHOMES

Growing preferences for smaller, denser housing products in walkable areas has driven the development of a handful of townhome products in St. Louis. These include the Station Plaza Townhomes in Kirkwood, which have sold in recent years for $200 per square foot. This product targets downsizing mid-career professionals and retirees looking for the feel of living in a single-family home, but with better access to amenities and fewer home maintenance requirements. While they are designed in a dense layout, it is difficult to accommodate more than 15-20 units per acre, as opposed to 30-40 units per acre for condos or apartments, making them less feasible and attractive for developers.

Just as market segmentation and target marketing are used to determine tendencies to buy different types of consumer products—including products as diverse as cars, computers, and dish soap—market segmentation data to identify demand for different types of housing products at a particular location.

Development Strategies analyzes market segmentation data in order to gain a clearer understanding of how many households might be attracted to a project (or community), who those households will consist of, and where they will come from. Ultimately, this guides the type, pricing, and market position of housing product to be offered at a given site.

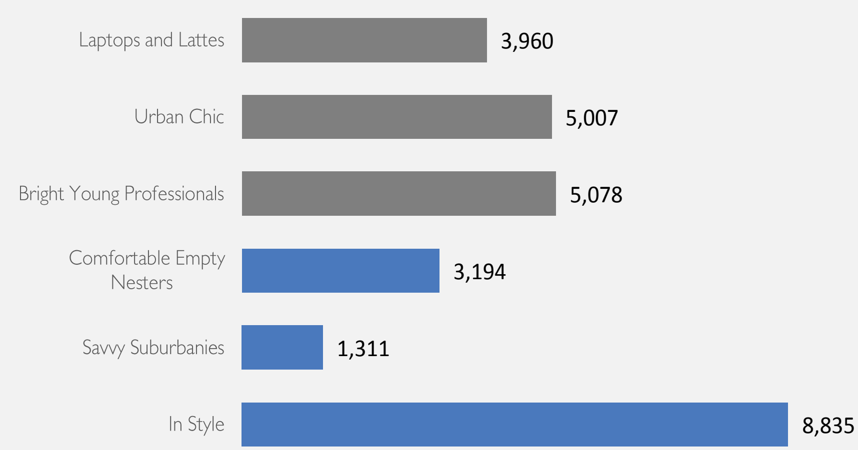
The methodology makes use of ESRI's Community Tapestry™ data, which uses algorithms to link demographic, geographic, and psychographic data to create 65 unique geodemographic segments. In other words, these "segments" are essentially 65 household groupings, each with their own unique combination of demographic (income, age, etc.), geographic, and psychographic (values, culture, etc.) characteristics.

This study identified two categories of target market segments for market rate housing in Olivette: Urban Professionals and Displaced Urbanites. The most affluent of these households can afford the most expensive for-sale housing products, whereas the least affluent are likely to rent the least-expensive rental units.

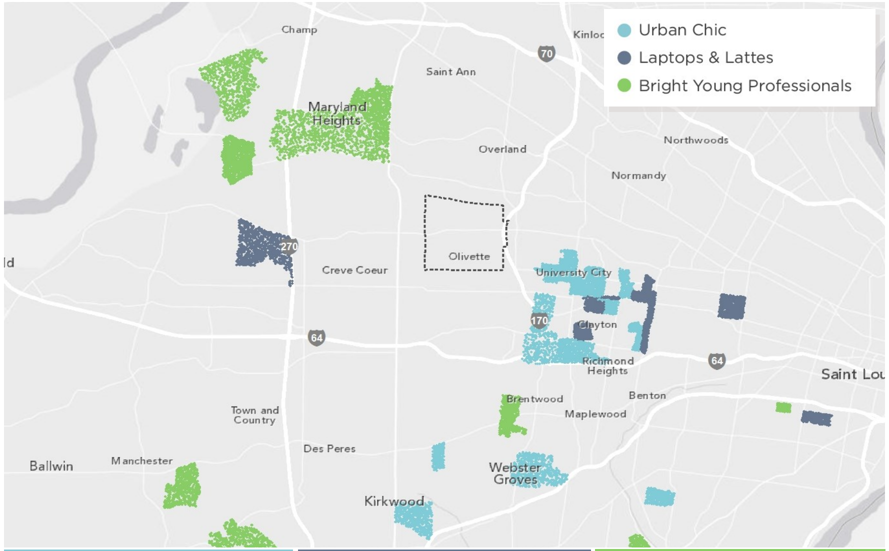
Regional Market Demand

Tapestry Group/ Segment	Implied Owner Households	Implied Average Price	Implied Renter Households	Implied Average Rent
Urban Professionals	**7,044**	**$310,000**	**7,001**	**$1,470**
Laptops and Lattes	1,505	$350,000	2,455	$1,780
Urban Chic	3,305	$370,000	1,702	$1,880
Bright Young Professionals	2,234	$190,000	2,844	$960
Displaced Urbanites	**10,068**	**$270,000**	**3,272**	**$1,130**
In Style	6,096	$250,000	2,739	$1,100
Comfortable Empty Nesters	2,779	$260,000	415	$1,130
Savvy Suburbanites	1,193	$400,000	118	$1,730
Totals	17,112	$290,000	10,273	$1,360

Market for Urban, Walkable Neighborhoods
Olivette Market Areas

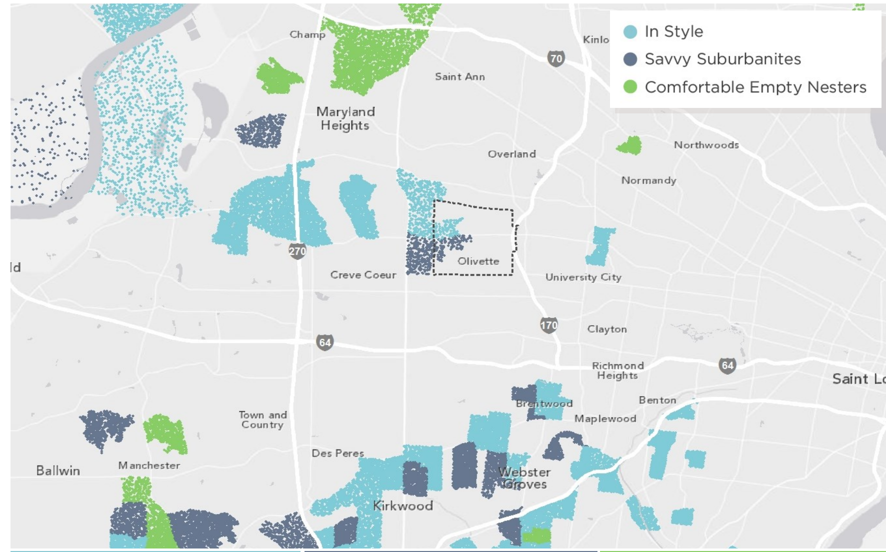


Source: Esri, Development Strategies



URBAN CHIC	LAPTOPS & LATTES	BRIGHT YOUNG PROFESSIONALS
MEDIAN HH INCOME $98,000	MEDIAN HH INCOME $93,000	MEDIAN HH INCOME $50,000
AVERAGE AGE 43	AVERAGE AGE 37	AVERAGE AGE 32
PERCENTAGE OF OWNERSHIP 66%	PERCENTAGE OF OWNERSHIP 38%	PERCENTAGE OF OWNERSHIP 44%
AVERAGE HH SIZE 2.4	AVERAGE HH SIZE 1.9	AVERAGE HH SIZE 2.4
PREDOMINANT HH TYPE Couples/ Families	PREDOMINANT HH TYPE Singles/ Couples	PREDOMINANT HH TYPE Couples/ Families

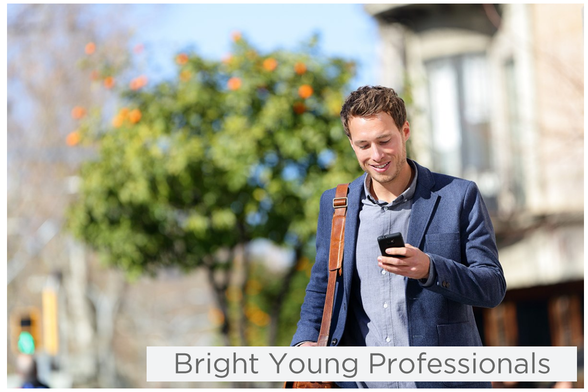
Source: Esri, 2016



IN STYLE	SAVVY SUBURBANITES	COMFORTABLE EMPTY NESTERS
MEDIAN HH INCOME $66,000	MEDIAN HH INCOME $104,000	MEDIAN HH INCOME $68,000
AVERAGE AGE 41	AVERAGE AGE 44	AVERAGE AGE 47
PERCENTAGE OF OWNERSHIP 69%	PERCENTAGE OF OWNERSHIP 91%	PERCENTAGE OF OWNERSHIP 87%
AVERAGE HH SIZE 2.3	AVERAGE HH SIZE 2.8	AVERAGE HH SIZE 2.5
PREDOMINANT HH TYPE Singles/ Couples	PREDOMINANT HH TYPE Couples w/o Children	PREDOMINANT HH TYPE Couples w/o Children

Source: Esri, 2016


Laptops & Lattes


Bright Young Professionals


In Style

URBAN PROFESSIONALS

Urban Professionals tend to be highly educated, earn high incomes, and have a strong preference toward urban living. The group includes a mix of young professional singles and couples along with young families. They prefer living in downtown areas with multifamily housing and walkable amenities.

The Laptops and Lattes and Urban Chic segments are on the higher-end of the income spectrum, and tend to consist of households with couples in their late thirties and early forties, some with young children. They are clustered in some of the region's most desirable communities, including Creve Coeur, Clayton, and the Central West End neighborhood of St. Louis City. Bright Young Professionals, by contrast, are younger and more middle-income, and have located in the garden-style apartment communities in farther-out municipalities such as Maryland Heights and Ballwin.

None of the segments in this group are present in Olivette, although they live in bordering communities. The housing product most likely to attract these households to Olivette are newly-constructed rental apartments in a mid- to high-price range with modern finishes and amenities.

DISPLACED URBANITES

Displaced Urbanites are similar to Urban Professionals both culturally and economically, but tend to live in suburban locations. Many households in these segments are current or soon-to-be empty nesters, as well as couples without children. They may be looking to downsize from a larger home where they raised their children, and move to a more central locations with good access to amenities. While the income range among the segments in this group is substantial, they generally have sophisticated tastes and are looking for restaurant and retail experiences that are more upscale and niche.

Households within this group are already present in Olivette, as well as to the south in Webster Groves and Kirkwood and to the west in Creve Coeur. These households would be attracted by a larger, higher-quality (and higher-priced) rental product than the Urban Professionals group, as well as for-sale condo or attached townhome products.

Target market analysis yields theoretical demand for roughly 1,750 housing units along the Olive Corridor, split between upscale rentals, and for-sale townhomes and condominium units.

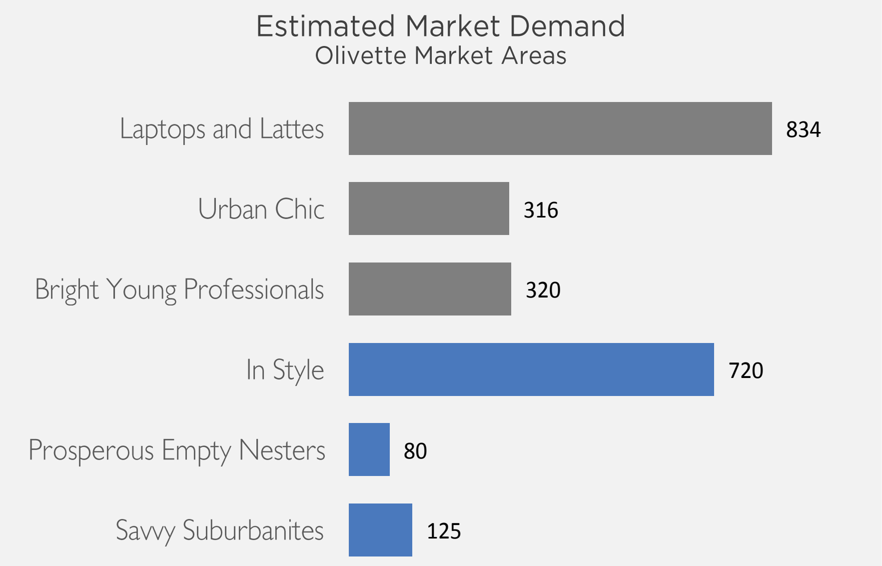
By applying a mathematical model to ESRI Tapestry™ data on market segmentation, demand analysis of target market households indicated demand from nearly 1,750 households for housing along the Olive Corridor. Rental housing will be in higher demand from both sets of market segments—representing around 1,150 units—while the remaining 600 units of demand will be for densely-developed for-sale townhomes or condos.

Comfortable Empty Nesters


Urban Chic

Olivette Regional Market Demand

Tapestry Group/ Segment	Implied Owner Households	Implied Average Price	Implied Renter Households	Implied Average Rent
Urban Professionals	**424**	**$310,000**	**409**	**$1,450**
Laptops and Lattes	75	$350,000	123	$1,780
Urban Chic	208	$370,000	107	$1,880
Bright Young Professionals	141	$190,000	179	$960
Displaced Urbanites	**680**	**$280,000**	**245**	**$1,130**
In Style	497	$250,000	223	$1,100
Comfortable Empty Nesters	69	$260,000	10	$1,130
Savvy Suburbanites	114	$400,000	11	$1,730
Totals	**1,104**	**$290,000**	**654**	**$1,330**



Source: Esri, Development Strategies

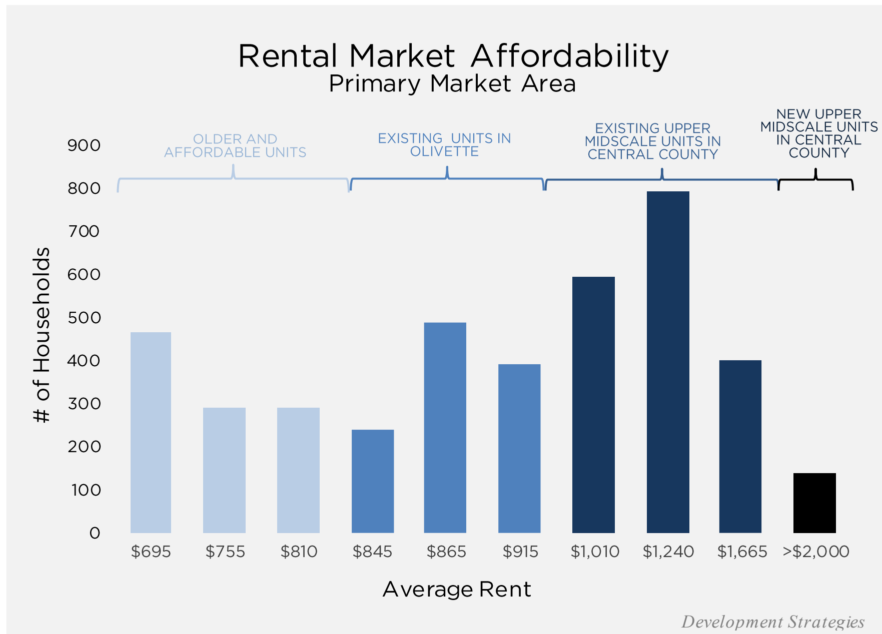
RESIDENTIAL MARKET: CONVENTIONAL DEMAND

Housing affordability analysis reveals deep demand for upscale apartments, with monthly rents of $1,240, as well as for modest for-sale homes priced between $170,000 and $260,000.

Conventional market demand analysis utilizes household income data in the primary and secondary market areas to determine for-sale and rental housing price points that will be in highest demand in the primary and secondary market areas. While target market analysis provides a nuanced look at how consumer preferences in the market align with specific housing products, conventional analysis offers an additional level of understanding of local market conditions and depth of demand. The conventional analysis of the Olivette market areas is illustrated in the charts at right.

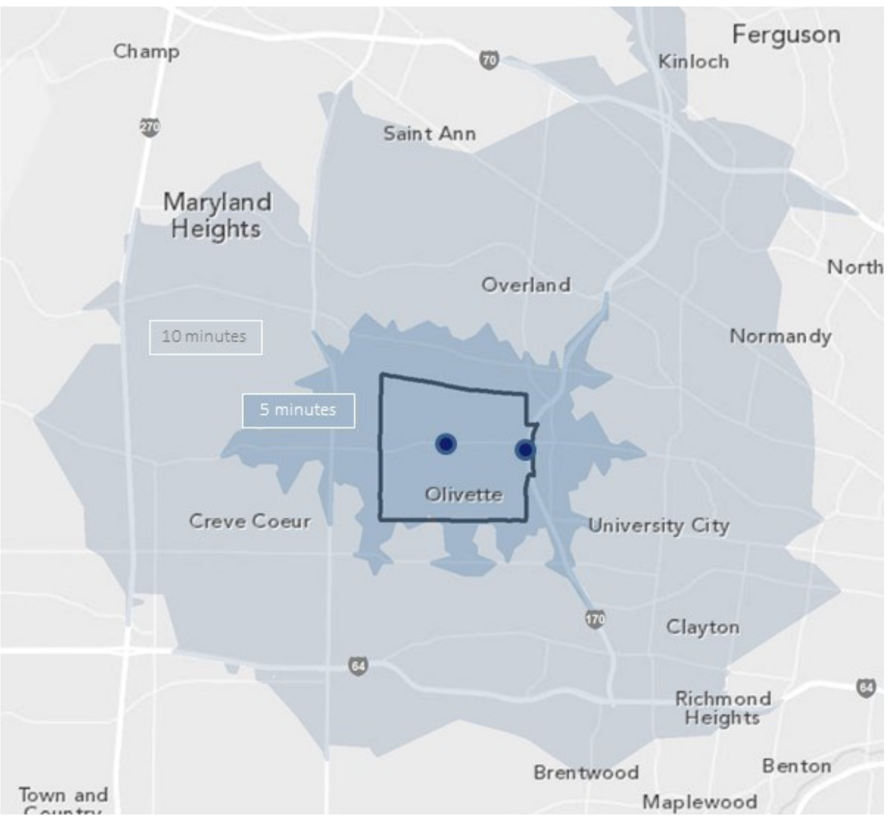
The analysis of yields three likely price points for for-sale housing: $170,000, $260,000, and $440,000. These first two price points would be for products targeted at first-time homebuyers, while homes at the higher price point would attract mid-career professional couples and downsizing empty-nesters.

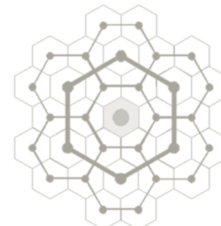
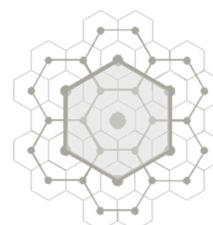
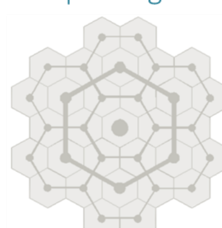
A similar analysis was conducted for rental housing, yielding key monthly market rate rents of $865 and $1,240. The lower rental rate would attract young professionals just starting out in their careers who are looking for smaller units, with possibly fewer amenities. The higher rents would be more likely for larger apartments with more amenities, and would target singles and couples a bit further into their careers who are still unmarried or without children and not yet interesting in a for-sale product.



RETAIL

The market for a retail establishment will generally depend on how far consumers are willing to travel to access it. Some types of establishments, such as grocery stores and pharmacies, will only attract shoppers from short distances away; while others types, such as entertainment venues and high-end restaurants, will pull people from farther away. This study has analyzed two potential markets: a neighborhood market, based on a five-minute drive from central Olivette, that will be attracted by establishments serving daily needs (i.e. supermarkets, pharmacies); and a community market, based on a ten-minute drive, that would travel to establishments serving common needs (i.e. general merchandise, chain restaurants).



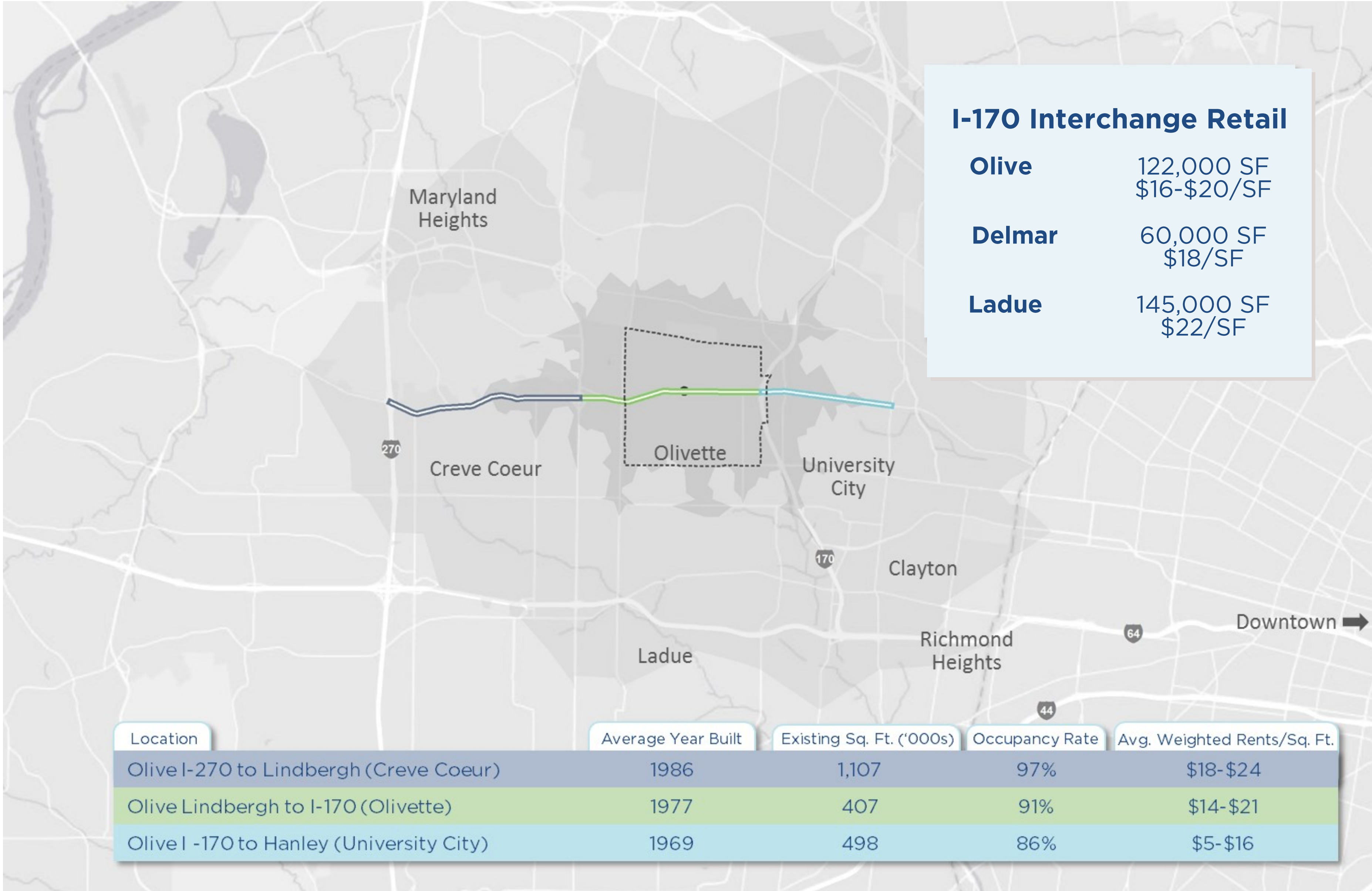
Type of Center	Typical Anchor	Gross Leasable Area (Sq. Ft.)	Population Support	Radius (mi.)/Drive Time (mins.)
Neighborhood 	Drugstore/ Supermarket	30,000 - 100,000	3,000 - 4,000	1.5/5-10
Community 	Junior Department Store	100,000 - 450,000	40,000 - 150,000	3-5/10-20
Regional 	1-2 Full-line Department Stores	300,000 - 900,000	>150,000	8/20
Super Regional 	3-4 Full-line Department Stores	500,000 - 2,000,000	>300,000	12/30

Supply analysis suggests potential for additional retail development, particularly at the interchange site.

Most competition to any new retail development in Olivette will come from existing developments along Olive Boulevard in University City and Creve Coeur and at other I-170 interchanges, particularly the interchanges at Ladue Road and Delmar Boulevard. There are approximately two million square feet of existing retail along Olive from Hanley Road to the I-270 interchange; and about 200,000 square feet at the I-170 interchanges at Delmar and Ladue, combined.

The trend in retail rental rates is relatively consistent throughout both corridors, increasing westward along Olive and southward along I-170. Retail rents on Olive Boulevard average $10/sq. ft. in University City, $17/sq. ft. in Olivette, and $21/sq. ft. in Creve Coeur. Similarly, rents at the Delmar and I-170 interchange are around $18/sq. ft., and around $22 at the Ladue interchange. Retail supply and rents are mapped out on the following page.

While location plays the most important role in the variation in rents, quality of development is also a factor. Creve Coeur has a number of high-quality retail developments built in the past decade along its stretch of Olive, primarily in and around City Place. By comparison, there has been very little new retail built in University City, and it has generally been of lower quality in both design and tenant mix. While Olivette has two older strip retail centers—Olivette Plaza and Olivette Center—that are of similar quality to what is found in University City, it also has a new high-quality development in Shoppes at Price Crossing that compares favorably in terms of design, tenants, and rents with the retail at City Place. This suggests the potential for additional similar retail development in Olivette, particularly in a competitive location with good access like the interchange site.



Location	Average Year Built	Existing Sq. Ft. ('000s)	Occupancy Rate	Avg. Weighted Rents/Sq. Ft.
Olive I-270 to Lindbergh (Creve Coeur)	1986	1,107	97%	$18-$24
Olive Lindbergh to I-170 (Olivette)	1977	407	91%	$14-$21
Olive I -170 to Hanley (University City)	1969	498	86%	$5-$16

Most of Olivette's retail needs are being met within a ten-minute drive of the city center. However, analysis indicates that there is potential for adding up to 80,000 square feet of retail space to the market area.

Demand gap analysis indicates retail categories that are in under or oversupply based on a given market area's population and household income. Analysis of the retail markets around Olivette suggest that most needs are being met, with the potential for up to 80,000 additional square feet of retail development in the area. However, the success of any additional retail development will depend on creating a strategic and competitive tenant mix.

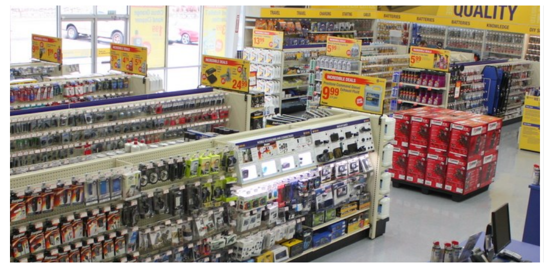
Demand gap analysis helps to determine whether a market is underserved or oversaturated. For example, the average household spends roughly 30 percent of its income on retail goods. By comparing the types of goods that households in a market area are buying with the actual stores located in a market area, gap analysis can determine whether supply is effectively meeting demand. If not, there may be opportunities to build more now or in the future.

In most instances, a shopping center at a given location will face competition, either within a small, neighborhood market area, or with a shopping center in an overlapping community or regional market area. To address this, market analysts apply a "capture rate"—an estimate of the percentage of retail sales, by category, that retailers at a particular location can secure.

The charts to the right and on the following page illustrate the types of retail establishments that are in oversupply in the neighborhood and community market areas, as well as those for which there is surplus unmet demand. In general, most retail needs are being met in the two market areas. The exceptions are general merchandise stores, as well as bars, building/gardening supply stores, and a couple of other categories.

Residentially-Driven Retail Demand: Olivette Ten Minute Drive Radius

General Merchandise Stores
410,200 S.F.



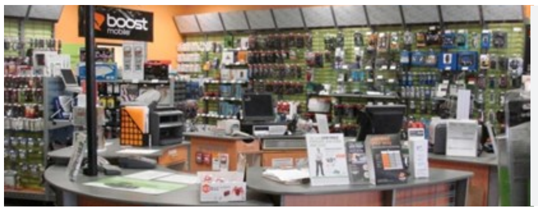
Automotive Parts/Accrs, Tire Stores
27,500 S.F.

Drinking Places – Alcoholic Beverages
14,000 S.F.

Building Material, Garden Equip. Stores
9,000 S.F.

Residentially-Driven Retail Demand: Olivette Five Minute Drive Radius

General Merchandise Stores
66,150 S.F.



Electronics and Appliance Stores
6,500 S.F.

Building Material, Garden Equip. Stores
4,500 S.F.

Drinking Places – Alcoholic Beverages
3,500 S.F.

Full-Service Restaurants
500 S.F.

It is important to distinguish retail market analysis conclusions from a market strategy. In retail, supply can appear to exceed demand. Yet opportunities still exist for new retail development because of competitive market opportunities. A successful clothing apparel retailer, for example, might locate in an already-crowded market if they offer a better product for a better price, better services, or otherwise have a distinct, competitive advantage. Trader Joe's, for example, can often thrive in a place that is crowded with supermarkets, because it offers something different. Such is largely the case in the retail market areas around Olivette, where unmet demand, in the aggregate, is minimal, but competitive market opportunities are nonetheless present. Strategies for creating a successful tenant mix will be explored in Chapter 4.

OFFICE

The St. Louis regional office market has been sluggish in the pre-recession period, with a significant reduction in new construction. At the same time, the space that is available is being consistently absorbed, suggesting that there is sufficient and potentially growing demand in the region for office development.

REGIONAL TRENDS

The St. Louis regional office market, with more than 134 million square feet of space and a vacancy rate of eleven percent, is hardly robust. The regional office market developed about 15 million square feet of space in the eight-year period from 2001 to 2008, an average of slightly more than two million square feet per year. Since 2008, the market has developed an average of roughly 700,000 square feet per year, a significant slowing from the pre-recession period.

Focusing in on office development in St. Louis City, St. Louis, and St. Charles counties, the picture looks similar—the decline in average annual development from 1.9 million square feet before 2009 to 650,000 square feet over the past six years. At the same time, net absorption of office space in the region, as well as in the three county area (net change in occupied space) has been mostly positive for the past six years, suggesting that there is demand for the existing and new office supply in the market.

OFFICE CLASSIFICATIONS

While office space varies based on users' needs, expectations of quality, tastes in design, and images that they wish to project to their clients and customers, a simple way to categorize office space is by labeling them as "Class A" or "Class B." In general, Class A space typically offers the highest level of service in new or renovated buildings, with high-quality finishes and most expenses included in the lease rate, while Class B spaces have negotiable lease terms with lower rates in existing buildings, sometimes with modest renovations. Given the difference in users of each class type, analysis of the potential demand for and current supply of office space in Olivette looks at each class separately.

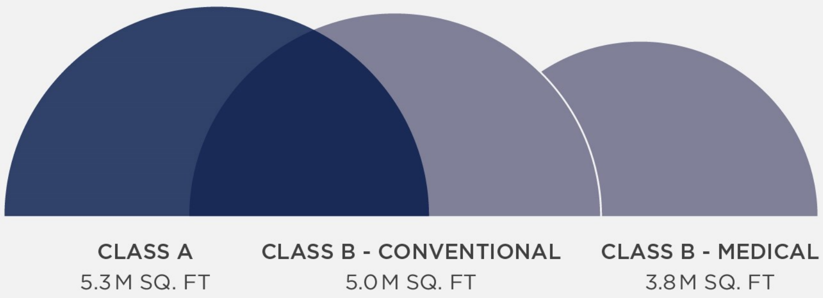
Analysis of future office demand—based on job projections and the likelihood of Olivette capturing those jobs—yields an estimate of demand for 700,000 square feet of office space over the next decade.

Determining future demand for office development involves evaluating a complex set of variables. This includes the desirability of the location, availability (and price) of land, existing industry clusters, and potential changes in consumer preferences and industry growth. A somewhat simpler method involves looking to: 1) past office performance: what regional share of office growth did Central County capture over the past decade?; and 2) future job growth: how many jobs are office-related industries in the region projected to add over the next decade?

In order to focus on the office growth potential of the Olive Corridor, the market area for office demand was drawn to include University City, Olivette, Creve Coeur, and Maryland Heights. The area covers three office submarkets as defined by CoStar, and are mapped on the following page. This market area captured ten percent of the new Class A and two percent of the new Class B office space built over the past decade in St. Louis City, St. Louis, and St. Charles counties, combined. This capture rate informs the expectation for the area's office capture for the next decade.

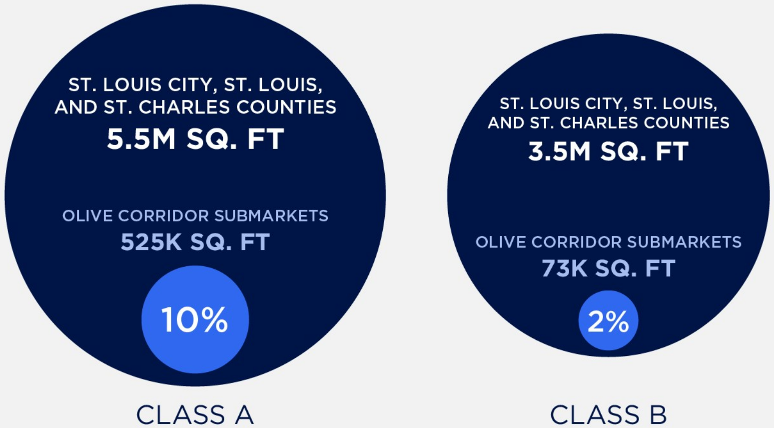
Job projections for the next ten years in the St. Louis region estimate an increase of 17,000 jobs in occupations that typically lease Class A space, including finance, law, architecture, and engineering. Jobs in sales, arts and design, computer programming, and the sciences tend to locate in Class B space, and are projected to increase by about 30,000. Additionally, occupations that are medical-oriented also use Class B space, and jobs in this category are projected to increase by 12,000. These numbers imply future regional demand for over 5 million square feet of Class A and 9 million square feet of Class B space. Using the Olive Corridor's past capture rate, the corridor could capture 525,000 square feet of the Class A office demand and 175,000 square feet of the Class B office demand over the next decade.

Projected 10 Year Office Demand
By Office Class Type - St. Louis Metro Region



Source: MERIC, CoStar, Development Strategies 2015

New Office Construction Since 2005

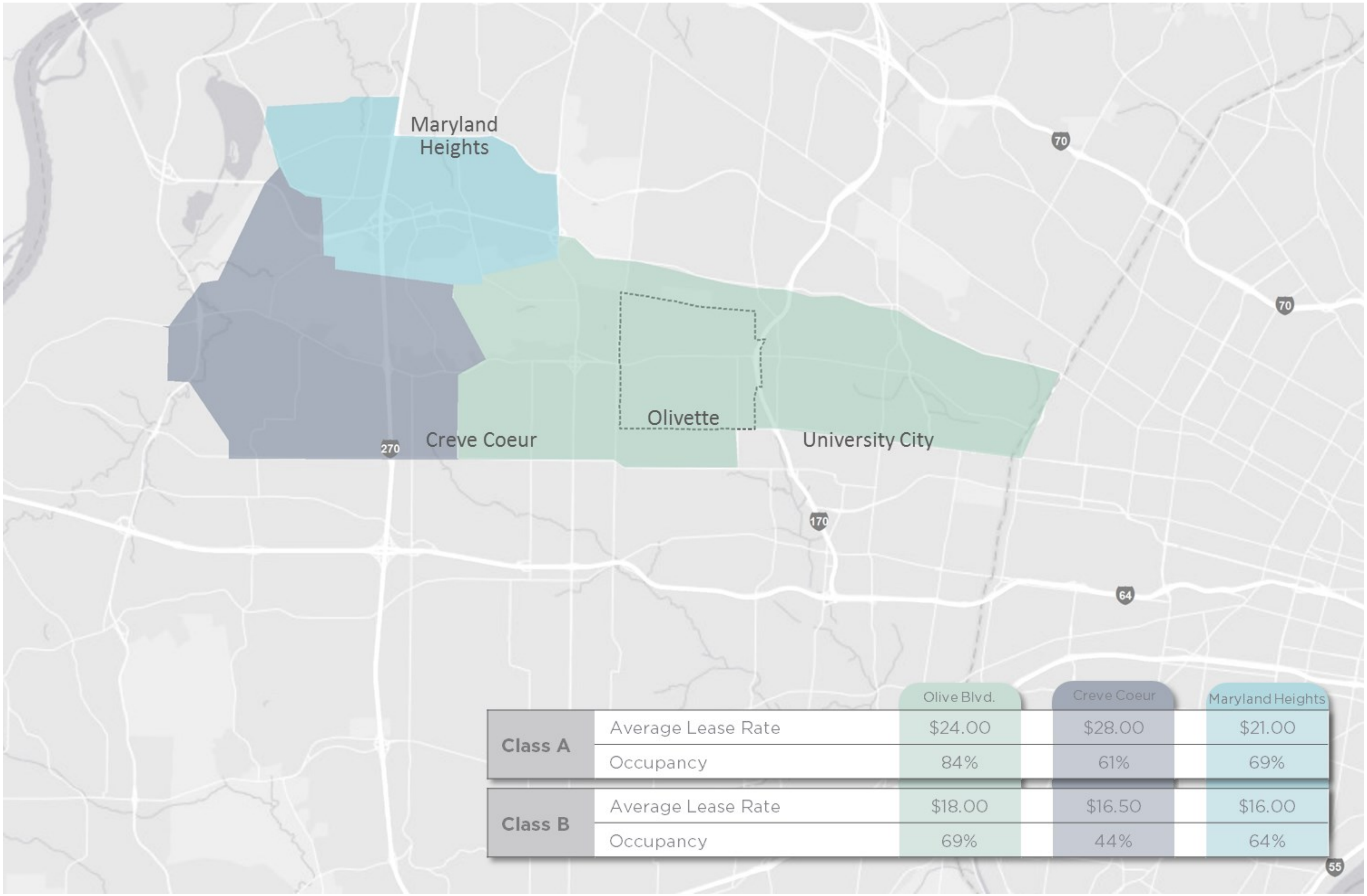


Source: CoStar, Development Strategies

Class A space along Olive Boulevard has performed well in recent years, especially at interchange locations. Class B, by contrast, has struggled.

Lease rates for Class A space in the Central County area average $24 per square foot, with the highest rates at the western end of Olive Boulevard in Creve Coeur and the lowest rate in Maryland Heights. Occupancy rates for this space is around 70 percent. By contrast, Class B space lease rates average $17 per square foot, with occupancy rates around 50 percent. Within Olivette, office space along Olive Boulevard primarily falls into the Class B category, with average rents of $18 per square foot and occupancy rates of 86 percent.

Most of the office buildings in the Central County area are multi-tenant. However, there are some single-tenant buildings also in the area, particularly around highway interchanges. These locations give firms excellent visibility and access, attracting clients and employees. The interchange site offers these benefits and single-tenant office use could therefore be a marketable use of the site. However, the benefits to the surrounding community of such a development are limited compared to a residential or retail use.



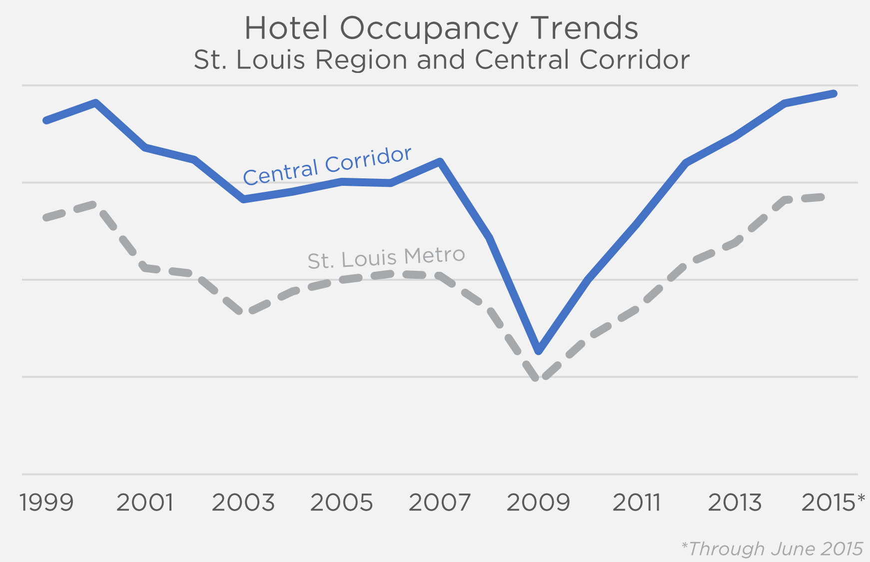
		Olive Blvd.	Creve Coeur	Maryland Heights
Class A	Average Lease Rate	$24.00	$28.00	$21.00
	Occupancy	84%	61%	69%
Class B	Average Lease Rate	$18.00	$16.50	$16.00
	Occupancy	69%	44%	64%

HOTEL

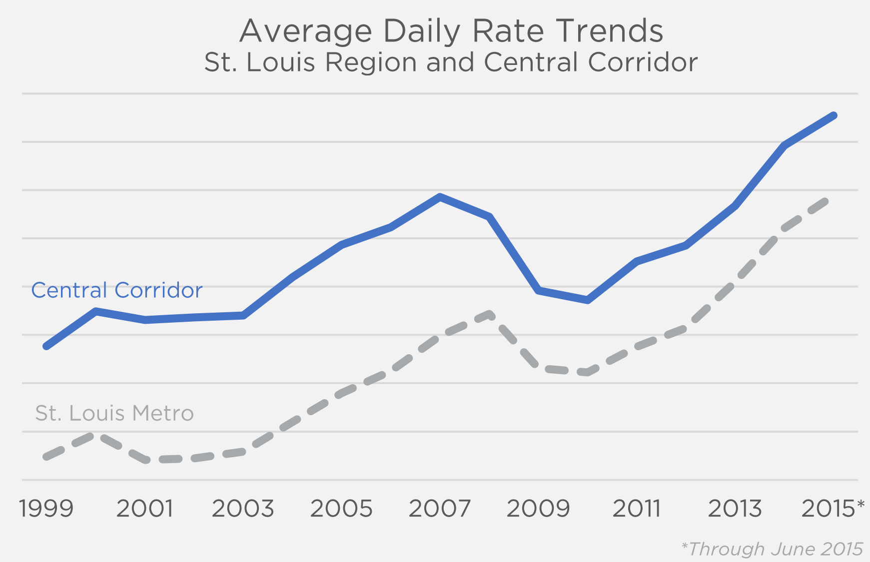
Demand for hotel rooms in the Central Corridor has historically been stronger than in the region as a whole. The upward trend in occupancy and daily rates in Central Corridor hotels suggests that a hotel in Olivette could perform well.

As was the case with most other industries, the hospitality industry saw a significant dip in activity from 2007 through 2009. In the St. Louis region, hotel occupancy rates fell three percentage points in this period. The industry has since rebounded, and 2015 occupancy rate among hotels in St. Louis City and County is 66 percent—a 15-year high.

Hotels in the region's central corridor—which includes the western part of St. Louis City, the area around Lambert Airport, and the Interstate 64 corridor—have historically performed better than hotels in the metro area overall, both in terms of occupancy and average daily rates. The Olive corridor is especially well-located to capture a significant proportion of the business travel market, given its access to interstates 170 and 270 connecting to the airport, as well as its proximity to major regional employers including Monsanto, the Donald Danforth Center, and Washington University. Plans for expansions at these and other area employers will continue to drive demand from this segment of the travel market.



Source: SLCVC

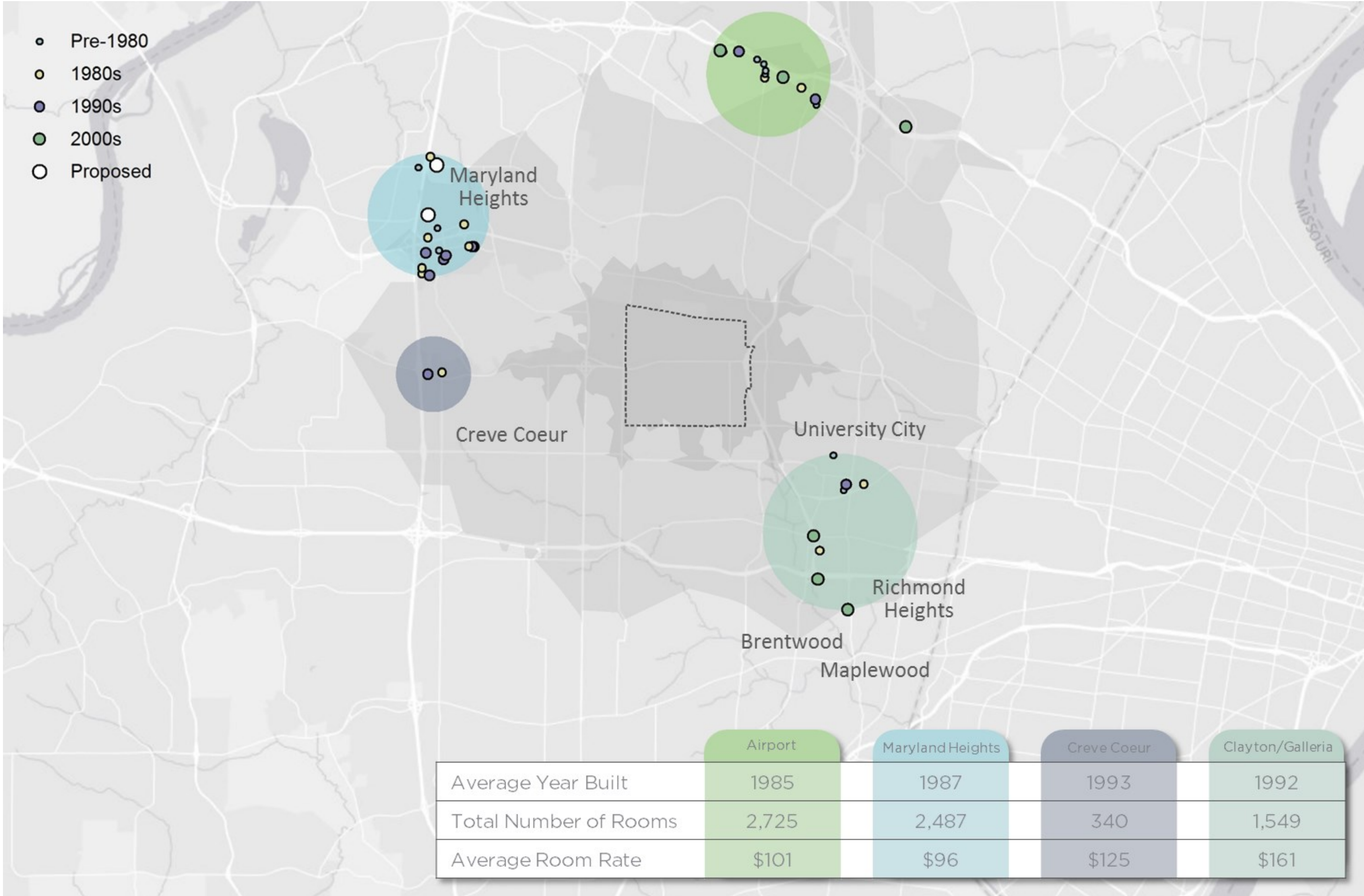


Source: SLCVC

Recent hotel construction in the Central Corridor has been clustered to the north and south of Olive Boulevard, presenting an opportunity for a quality product to be developed directly along the corridor.

As the St. Louis hotel market has rebounded, there has been a number of new hotels built, particularly in the central corridor. Since 2005, 800 rooms have been added to this part of the region. Most of the new development has occurred to the south and north of Olive, at the intersection of interstates 64 and 170 in Richmond Heights and along I-270 in Maryland Heights. Daily room rates average around $160 along I-170, and $100 along I-270.

Notably, there are no major hotels located along Olive east of I-270, or along I-170 north of Ladue Road; This suggests that a hotel development at the interchange site, particularly a moderately-pried one, could be successful. In addition to the business travel market described above, such a development could also draw leisure visitors who want to be close to the airport while maintaining easy and fast access to the city center and other regional tourist destinations and amenities.



	Airport	Maryland Heights	Creve Coeur	Clayton/Galleria
Average Year Built	1985	1987	1993	1992
Total Number of Rooms	2,725	2,487	340	1,549
Average Room Rate	$101	$96	$125	$161

MARKET ANALYSIS CONCLUSIONS

There is demand for all types of land uses along Olive Boulevard. However, given current supply and Olivette's development priorities, the development types with the greatest potential will be residential at the municipal site and retail at the interchange site.

RESIDENTIAL

The market for new, upscale rental units is "hot" in the Central County area. Affluent young professionals and downsizing retirees are looking for denser housing formats with good access to employment and retail centers, as well walkable environments with daily amenities close-by. This market will able and willing to pay $1.50 to $1.80 per square foot in rent for a housing product that offers these locational assets, and demand analysis suggests there is potential to develop an additional __ of these rental units along Olive. The municipal site has many of these assets already, and would be very competitive with other sites along the Olive Corridor, particularly if the city was able to improve the streetscaping and bicycle/pedestrian access in the surrounding area. These strategies and others that would increase the municipal site's attractiveness as a residential development site will be discussed in more detail in the following chapter.

RETAIL

The corridors along Olive Boulevard and Interstate 170 are already heavily-amenitized with retail developments, and most retail needs for residents of Olivette and the surrounding communities can be met within a five-minute drive. That said, retail gap analysis shows potential support for an additional 80,000 square feet of conventional retail development in the area. Further, the locational assets of the interchange site presents a unique opportunity to create a retail destination in Central County that could draw shoppers from St. Louis City and even western parts of St. Louis County. Such a development would require a well-curated tenant mix that filled some regional retail gaps and offered additional public space amenities for patrons to enjoy while shopping.

A small amount of additional retail targeted at the Olivette community could be supported at the municipal site, most likely as part of a mixed-use residential and retail development. Potential tenants could include a café or small casual restaurant that would be a lunchtime or weekend destination for residents and employees living and working on or near Olive Boulevard.

OFFICE

While the Class A office market in the Central County area has done well over the past decade, particularly with the development of CityPlace, the St. Louis regional office market overall is not very strong. Furthermore, the relatively low occupancy rates in existing Class A space in the market suggest that there is not enough demand at the moment to support the current supply, much less any additional space. There is a strong potential for attracting a single-tenant office building to the interchange site, given its location – however, such a project may not contribute to furthering the city's overall vision for catalyzing development along the Olive Corridor.

HOTEL

The hotel market has recovered fully from the recession, and new hotel development and renovation of existing hotels has occurred at a notable rate over the past ten years. A hotel development at the interchange site could perform very well, given its central location and easy access to all parts of the region. The site is too large for a hotel alone, however, suggesting a most likely scenario of a hotel being built as part of a mixed-use development that includes retail and possibly office or residential uses.

RESIDENTIAL

Demand:
1,750 units over ten years

Type:
Mostly upper midscale apartments and upscale rental apartments; some for-sale townhomes and condo units.

RETAIL

Demand:
80,000 square feet over ten years.

Type:
Grocery store, national inline retailers. Some support for local businesses, particularly at municipal site.

OFFICE

Demand:
8000,000 square feet over ten years.

Type:
Class A with single or multi-tenant occupancy at the interchange site. Municipal site not marketable for office development.

HOTEL

Demand:
150-200 rooms

Type:
Full service (three to four star rating)

Chapter 4

MARKET STRATEGY

A market strategy ensures that the right types of products will be delivered to the right markets, thereby reducing risk to developers and the public sector while increasing the likelihood of lasting, sustainable development and communities.

A market strategy builds on the program derived from market analysis, molding it into a strategy that takes advantage of a community's or site's assets—resulting in a plan that is wholly unique and distinctive.

By leveraging investments in place and the public realm, sound urban design and architecture, anchors to drive traffic, and coordination of complementary uses, a development, district, or community can be created that is greater than the sum of its parts.

STRATEGIES FOR OLIVETTE: LEVERAGING THE SITES

Given the immense value that placemaking can have on a community, the market opportunities that are present at strategic sites, and the need for each community to adapt and evolve in ways that make them competitive places to live, work, and shop, several market-based strategies are needed that can benefit the entire community. Here, a virtuous cycle can be created where Olivette can do things that benefit the key sites in the corridor, and the key sites can be developed in ways that benefit the community.

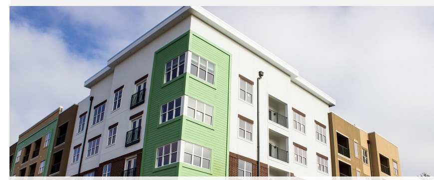
In the subsequent section of this chapter, site-specific market strategies are provided, and in later chapters, actions will be identified that the city will need to do in order to realize its market and economic potential. This section of the market strategy chapter, however, is really about what the community should aspire to extract or get for its efforts from the key sites.

COMMUNITY ENHANCEMENT

Eight "big picture" market strategies have been identified for the Olivette opportunity areas:

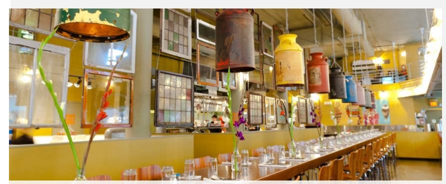
1 | CREATE A DEFINED CENTRAL GATHERING PLACE / TOWN CENTER

2 | IMPROVE WALKABILITY AND LIVABILITY

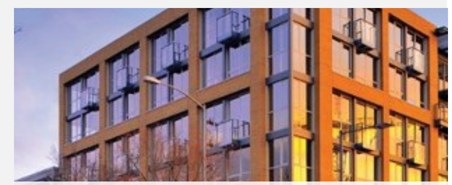


3 | LEVERAGE CENTRAL COUNTY DEMAND FOR HOUSING AND RETAIL

4 | EXPAND OPTIONS FOR BROADER RANGE OF LIFE PHASES



5 | EXPAND DINING OPTIONS



6 | SET A NEW PRECEDENT FOR DEVELOPMENT

7 | REMOVE AND REPLACE BLIGHT

8 | IMPROVE FRONT DOOR

1 | CREATE A DEFINED CENTRAL GATHERING PLACE/ PLACE TOWN CENTER

Having a central gathering place, a public space that is inviting, dynamic, multifaceted, and attractive, is likely to be an essential ingredient for cities with healthy economies. Having a place where residents can drive or walk to, spend their leisure time, and point to as the center of their community is almost certain to positively impact property values.

2 | IMPROVE WALKABILITY AND LIVABILITY

Improving Olive Road to better accommodate bikes and pedestrians, through the creation of dedicated lanes, attractive landscaping, and better street crossings, will enhance the image, marketability, and functionality of the entire community.

3 | LEVERAGE CENTRAL COUNTY DEMAND FOR HOUSING AND RETAIL

Realizing a physical transformation of a place is largely dependent on private market opportunities. Where they are few, a city's efforts to revitalize is akin to having the "wind in your face" in that progress is slow, heavily dependent on public subsidy, and a successful outcome is unclear. Here, demand for housing—especially upscale apartments—is strong, and interchange retail sites are scarce in the coveted Central County market. These opportunities can therefore be harnessed and leveraged to reinvent portions of the Olive Corridor.

4 | EXPAND OPTIONS FOR BROADER RANGE OF LIFE PHASES

Currently, 57 percent of housing in Olivette is single family, meaning the community targets families almost exclusively. Offering quality multifamily housing means attracting and age groups at either end of the spectrum—both young singles and elderly. Age diversity offers obvious social benefits, but also helps a community maintain its current tax base and invite in its next generation of leaders and economic drivers.

5 EXPAND DINING OPTIONS

Interviews with residents and business owners alike revealed a strong desire for greater variety and number of restaurants. Accomplishing this will make Olivette a more attractive place to do business, attract new residents, and keep more of its existing residents' expenditures on dining in the community.

6 SET A NEW PRECEDENT FOR DEVELOPMENT

An obvious opportunity in ushering in redevelopment at the key sites is to set a new precedent for development. Historically, the corridor developed as an auto-dominated corridor. If the street is to become more livable and appealing, new development is needed with better quality building materials and architecture, bike and pedestrian-supporting facilities, and building orientation toward the street, with less visible surface parking. New developments that successfully address these items can increase investor confidence in new typologies by providing data-supported case studies for comparison, or "comparables".

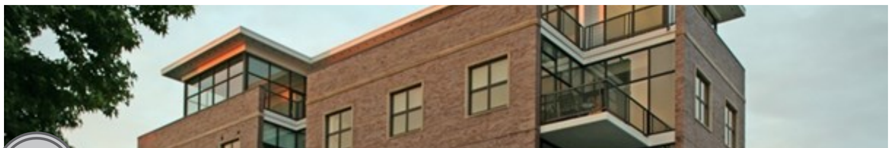
7 REMOVE AND REPLACE BLIGHT

While it may seem obvious, it bears mentioning that redevelopment can also eliminate current, blighted properties that impair marketability of the corridor and community. By setting a new investment precedent that takes deteriorated sites from "worst to first", community-wide property values seem almost certain to benefit.

8 IMPROVE FRONT DOOR

The Olive Corridor is the first and last impression a person has of the community—its front door—and its appearance impacts the image and marketability of the whole of Olivette. Its transformation into something more attractive, livable, and desirable is of vital interest to every resident of the community.

1 DIFFERENTIATION

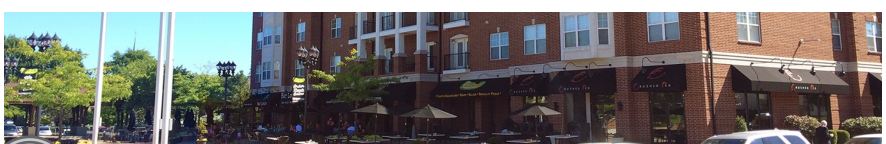


2 TARGET THE PRODUCT

3 CREATE A DEFINED CENTER

4 ENHANCE THE PUBLIC REALM

5 CURATE THE TENANT MIX



6 CREATE THE PLACE

1 DIFFERENTIATION

A key part of any market strategy is understanding the characteristics of a particular place and what makes them unique. In the case of the Olive Corridor, the character and opportunity changes at different segments.

This market strategy suggests different catalyst projects and public investments at the municipal site versus the interchange site, based on the distinct opportunities and constraints that each site possesses. In doing so, a competitive *differentiation strategy* has emerged—one that makes less likely that each site will cannibalize on the other's opportunities; rather, they will each achieve their individual potential and contribute variety to the whole of the corridor.

Interchange Site
The Commercial Engine

Municipal Site
The City Center

INTERCHANGE SITE – THE COMMERCIAL ENGINE

At the interchange, commercial opportunities are strongest. Retail, office, and hotel uses are all possible, with retail likely being the most marketable. Conveniently, Missouri law has made economic incentives for retail the most robust. This means that it would generate the most public financing to facilitate redevelopment, and could also contribute the most revenues to a broader community improvement district that would enable a revitalization of an entire segment of the Olive Corridor. In this way, a retail market strategy could play seamlessly into an economic strategy that pays for needed community marketability enhancements.

While livability enhancements can be made to this site—a community gateway, bike and pedestrian facility upgrades, an anchor grocer, improved aesthetics and building materiality—its highest purpose for the community is likely as an economic engine. Olive's seven lanes at this stretch, as well as adjacent highway access and egress ensures that this site will likely be an "automobile first" area for another generation. Remaking it into what is among the highest quality retail-oriented centers in Central County would be an effective market strategy.

MUNICIPAL SITE – THE CITY CENTER

The municipal site, with diminished—although not by any means non-existent—commercial opportunity, has its own unique assets that can serve the community, especially if it can be assembled with some adjacent parcels. This site can best serve the community by establishing a new development precedent and becoming Olivette's city or town center. With fewer lanes and lower traffic volumes, the automobile's influence can be softened. Upscale residences of some scale can begin to shape an inviting new place. A meaningful civic square or plaza can be created for events. Small, boutique retail can flourish, leveraging public space as an anchor. This can be the place all residents point to as their own—as the center of their community.

2 TARGET THE PRODUCT: MUNICIPAL SITE

A thorough analysis of housing and retail supply, demand, consumer preferences, case study, and location considerations was undertaken to determine marketable development products for the opportunity sites.

Eight development products were identified as potential parts of a market strategy for catalyst development in the Olive Corridor. Different products will be successful at each of the sites, informed by their locations along the corridor. Moreover, certain products will overall be more successful than others – a distinction discussed in the following chapter. Following is a summary of product types, separated out by each opportunity site.

MUNICIPAL SITE

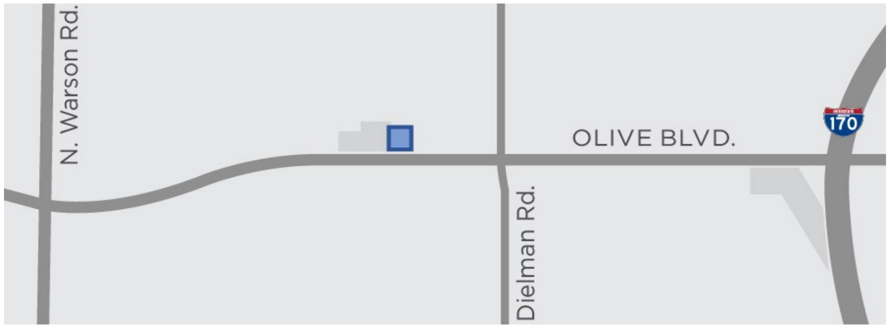
Given its size and location along the corridor, residential products will be the most successful development on the municipal site.

RENTAL APARTMENTS

The demand for rental apartments in Central St. Louis County is high. This product is most attractive to young professional singles and couples who are looking for the convenience and accessibility of Central County, but are not yet able or willing to invest in homeownership. Based on existing apartment complexes in the area, including Station Plaza in Kirkwood and Vanguard Crossing in University City, a multifamily development on the municipal site would likely include one- and two-bedroom units, ranging from 725 to 1,100 square feet in size and $1,200 to $1,650 in monthly rent. A well-designed development with a mixed-use component could potentially command higher rents.

FOR-SALE CONDOS

One option that may become more viable, following a fuller recovery in the for-sale market, is condominiums that target mid-career professional couples and retirees seeking an urban-like living environment with some walkability. The market for these for-sale units is not as deep as that for rental units. However,



recent condo developments in Central County, such as Demun Pointe in Clayton, have been successful in offering two- and three-bedroom units in the $350,000-$400,000 price range.

FOR-SALE TOWNHOMES

Another for-sale residential product that could fit with the denser development pattern along Olive, and would be physically viable on the municipal site, are attached townhomes. This product offers a single-family living option within walking distance of the city's amenities. A local example of this product can be found at Station Plaza in Kirkwood, where townhomes developed around the periphery of the plaza have sold for around $450,000. As with for-sale condos, the most likely market for these townhomes would be mid-career professional couples, possibly with one child, and empty nesters looking to downsize.

MIXED-USE DEVELOPMENT

While residential development is the most marketable use of the municipal site, there is significant potential for a mixed-use development on the site that would incorporate some ground-floor retail below apartment units. While more expensive to develop—and thus less attractive to some developers—the addition of ground-floor retail at the site would help to activate the site and surrounding area and create a dynamic town-center feel. Rather than only serving the residents of the property, a small retail establishment such as a café or sandwich shop would be an asset for all city residents, as well as for daily commuters driving along Olive. Retail at the municipal site would be limited in size, no more than 9,000 square feet, and would likely achieve rents of $15 per square feet, similar to rents at the retail centers next to and across Olive from the site.

RENTAL APARTMENTS

Avg. Rent Per Month
$1,200—$1,650

Unit Sizes (Sq. Ft.)
725—1,100

Avg. Rent Per Sq. Ft.
$1.50—$1.70

Units Per Acre
35—40

Target Market
Young and Mid-Career Professionals

FOR-SALE TOWNHOMES

Avg. Sale Price
$450,000

Unit Size (Sq. Ft.)
2,300

Avg. Price Per Sq. Ft.
$200

Units Per Acre
15—20

Target Market
Mid-Career, Professionals, and Retirees

FOR-SALE CONDOS

Avg. Sale Price
$350,000—$400,000

Unit Size (Sq. Ft.)
1,900

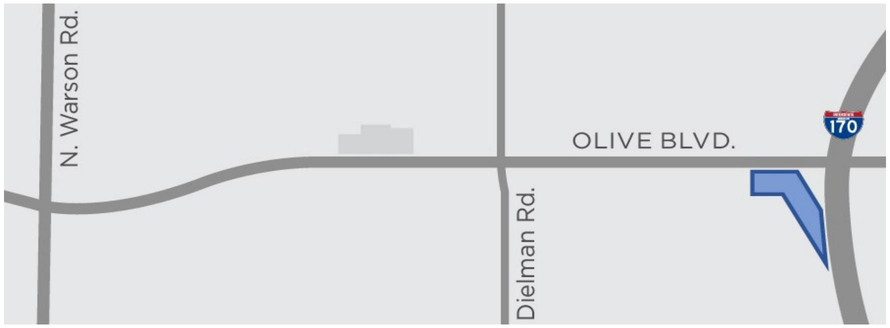
Avg. Price Per Sq. Ft.
$180—$200

Units Per Acre
25—35

Target Market
Mid-Career, Professionals, and Retirees

2 TARGET THE PRODUCT: INTERCHANGE SITE

While there is some variation in the type of development that could successful at the municipal, the most marketable use for the interchange site is very clear—large-scale retail development.



INTERCHANGE SITE

Based on what exists at other retail centers in the region, a successful retail development at the interchange will include a mix of tenant types:

ANCHOR TENANTS

Anchor tenants include supermarkets or big box stores such as Target or Best Buy. These stores typically have a large footprint – 20,000 to 25,000 square feet - and large sales volume. Anchor tenants often pay lower rent than inline tenants, given their contribution in terms of sales and customer traffic draw. An anchor tenant at the interchange site would likely pay around $18 per square foot in rent.

INLINE TENANTS

Inline Tenants are smaller retailers offering a variety of products and services. Store sizes can range from 1,000 to 5,000 square feet. These tenants will pay a higher rent – in this case, an estimated $24 per square foot.

OUTLOTS

Outlots are parcels of land within a shopping center that are leased or sold directly to a retailer, who then builds their own structure on the parcels. They are most commonly used by fast food restaurants, and tend to generate a lot of sales traffic. The interchange site could accommodate up to two outlot tenants, each occupying one acre of land, at a sale price of approximately $15 per square foot.

MIXED-USE DEVELOPMENT

While retail is the most likely and marketable use at the interchange site, there is potential for some mixed-use development, as is the case with the municipal site. In particular, the inclusion of some office space and/or a hotel would complement a retail development and benefit from its amenities and interchange location.

Class A office space at the interchange site would likely lease for around $24 per square foot. The target tenant would be an upscale medical practice or a single-occupant corporation.

A full-service hotel at the interchange site could attract business travelers, with its easy access to Lambert Airport and the employment hubs along Olive and I-170. Based on other interchange hotels such as the Drury Inn at Brentwood and I-170, an average daily room rate of around $140 would be reasonable and achievable.

ANCHOR TENANTS

Lease Rate Per Sq. Ft. GLA
$18

Parking Spaces
5/1,000 Sq. Ft. GLA

Avg. Rent Per Sq. Ft.
$20,000—$25,000

Tenant Types
Grocery Store, Upscale Chain Restaurants

IN LINE TENANTS

Lease Rate Per Sq. Ft. GLA
$22—$26

Parking Spaces
5/1,000 Sq. Ft. GLA

Avg. Rent Per Sq. Ft.
$50,000

Tenant Types
Mid-Upscale Restaurants, Coffee Shops

OUTLOTS

Lease Rate Per Sq. Ft. GLA
$14—$16

Parking Spaces
10/1,000 Sq. Ft. GLA

Bldg. Sq. Ft.
2,500—4,000

Tenant Types
Fast Food

CLASS A OFFICE SPACE

Lease Rate Per Sq. Ft. GLA
$24

Parking Spaces
6/1,000 Sq. Ft. GLA

Total Sq. Footage
50,000

Target Market
Financial and Legal Firms

FULL SERVICE HOTEL

Average Room Rate
$14—$16

Average Occupancy
70%

Target Market
Business Travel

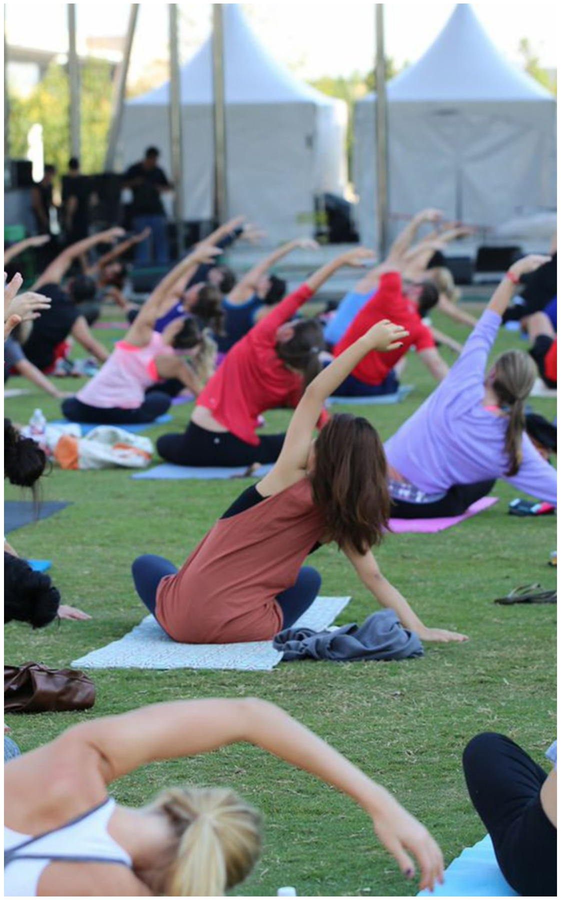
3 CREATE A DEFINED CENTER

A defined center in the form of a town center, with an inviting public space, is a key piece of an overall market strategy for the City of Olivette to compete for 21st century residents, talent, and business.

A true town center consists of meaningful public space, some retail, and other uses, such as housing. This study demonstrates that a market-based opportunity exists to accomplish just that, with public space playing a critical role.

CIVIC SQUARE

Sometimes referred to as a village green, this space can serve as an identifiable central gathering place for community residents— a beautiful place that everyone can point to as the heart of their community.



PROGRAMMED EVENTS

Movie nights, concerts, group exercise, and a weekly farmers market can all take place in a town center, fostering community and boosting the marketability of the city for residents.

COMMERCIAL PERMEABILITY

Commerce often activates a place in ways that other uses cannot. A well-curated mix of restaurants and boutique vendors, with appealing outdoor seating, can blur the lines between public and private space, creating an authentic feeling of vibrancy and energy.

CIVIC ANCHOR

While commerce contributes greatly to a town center, a virtuous cycle can be created in which attractive public space can serve as an anchor, bringing people in and enhancing the visibility—and viability—of retail and restaurant vendors in the process. A civic anchor, such as a library, can enhance such a place further.

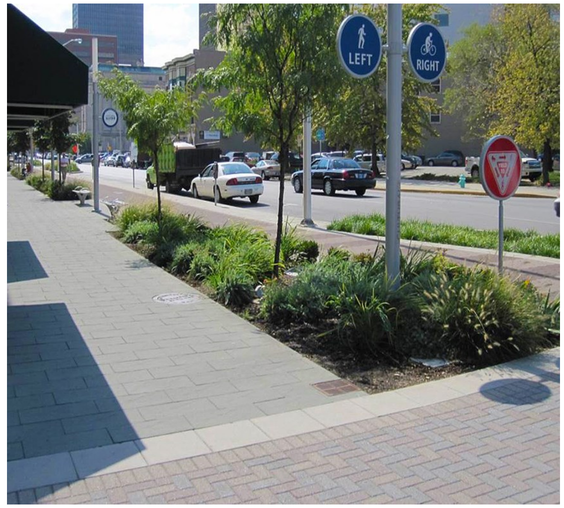
4 ENHANCE THE PUBLIC REALM

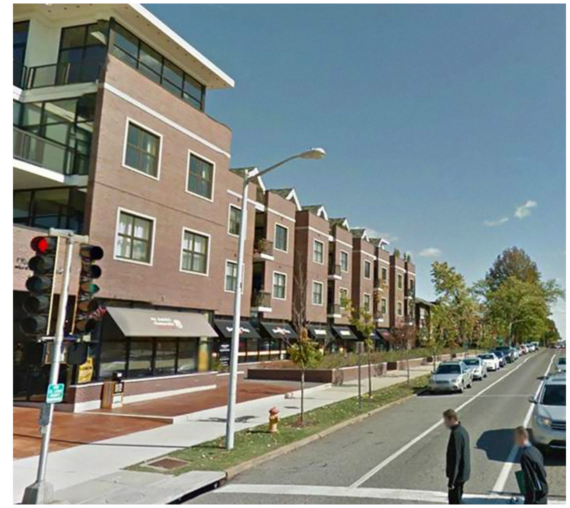
The opportunity for the Olive Corridor is much greater than the successful redevelopment of a few key sites. The Olive corridor itself can begin to take center stage as a great civic amenity—one that shifts from merely functioning as a road, to a livable street that supports mixed use development, cycling, and pedestrian activity.

LIVABILITY

While Olive Boulevard is a five lane road today, it will continue to need to serve vehicular traffic flow, it can also be made to serve cycling and walking through a variety of measures that include traffic calming, planted medians, improved pedestrian crossings, reduced curb cuts, street-oriented buildings, plantings, and bicycle facilities.

Of particular issue is the lack of comfort in the pedestrian realm that the odd juxtaposition of fast moving cars and people creates. Creative solutions are needed with plantings, planters, street furniture, and other measures that can be both attractive and provide a level of comfort for pedestrian activity. Such efforts will serve a broader market strategy of making portions of the Olive corridor more desirable places for people to park, walk, linger, and patronize local establishments.





WALKABILITY

Walkability can have different meanings in different contexts, and is an important component of livability. In the context of the Olive corridor, the creation of safer, more comfortable street crossings at targeted intersections is an important strategy for enhancing economic opportunity. Planted medians, pavers, bumpouts, and other measures need to be explored and implemented, in order to encourage residents and shoppers to spend their time (and money) in Olivette.

STREETSCAPE

Also related to walkability and livability, streetscape enhancements can use a combination of hardscape (brick pavers, cobblestones, etc.) and plantings to soften the appearance of a harsh environment, give Olivette a distinctive brand identity, and evolve a functional road into a multi-purpose street.

DEFINED SPACE

Streets do not exist in a vacuum, whether in a city, a small town, or the rural countryside. What happens on either side of that street is at least as important as the materials on it. Olive Boulevard will be most marketable when buildings of some scale (two to four stories) address it, with the impact of surface parking relegated to less visible places, such as behind buildings. The key sites can serve as catalysts. Street trees, especially where they offer gracious canopies, can be an inexpensive way of branding and defining a place while market-based development occurs at its own pace. Creating a better "sense of enclosure"—a street framed by appealing architecture and street trees—can be an effective cue to drivers that they need to "slow down" and respect pedestrians, cyclists, shoppers, and residents.

5 CREATE THE TENANT MIX

In a "best of both worlds" scenario, both national and local tenants are curated to bind a market strategy with an economic strategy.

Opportunities for retail development often exist in the competitive environment, even when it appears that retail is in oversupply. This often comes to light when devising a tenanting strategy, which involves evaluating tenants that are not currently in the market that could succeed. This exercise is equal parts science, art, and strategy.

The science comes from evaluating consumer spending patterns, to find out what types of tenants are missing in the market that have been demonstrated to be supported by similar consumer groups in other locations. The art is in curating a tenant mix that is most appropriate for the market and/or economy of a particular place. Because chain tenants tend to pay significantly higher rents than local operators, they can become an important part of an economic strategy to underwrite a development, or a public financial strategy that can be leveraged to pay for improvements to public spaces. Yet good, local businesses have certain strategic advantages (such as attracting residents to a building, development, or community), so these two needs have to be weighed against each other. This is the strategic part of the equation.

TENANTING STRATEGY: INTERCHANGE

In the case of the interchange site, the area is an A/A-minus location for retail. It is within easy driving distance to the Clayton/Brentwood center of income density—a metric used in retail site selection to determine the place in a region that has the greatest concentration of expendable income. The site would be very attractive to one or more retail anchor tenants that wish to be in the coveted Central County submarket, but cannot find an available interchange site within a desirable driving distance. Niche grocers that market organic, green, creative food products are likely looking for a location in Central County. The same is true for an upmarket, membership-driven discount retail wholesaler.

A green grocery anchor, such as Lucky's Market, is likely to enhance the marketability of the community, provide a valuable service, and attract other inline retailers and restaurants. A short list of restaurants that might seek this location include: Bar Louis or a similar bar and grill; a fast casual burger restaurant, such as Smashburger; a frozen yogurt shop; a local, ethnic chain, such as San Sai; and national fast food chains that include Chick-fil-a, Culver's, and Dunkin' Donuts. Strategically speaking, while these chains may be associated with architectural styles, signage, and branding that do not mesh with the City's idea of a gateway development, examples abound of cities that worked with these and other restaurant chains to create an architecture and site layouts that meet the needs of both the community and the operator.

With this as the basis of a tenant program, other retailers, restaurants, and services are likely to be attracted to the site.

TENANTING STRATEGY: TOWN CENTER

At the town center, a retail tenanting strategy is more nuanced, since is not considered an "A location" for retail. But it could be made into a stronger location. A well-programmed public space/civic plaza could serve as a strong anchor that positively alters the viability of the place for craft retail and restauranteurs. Here, a convergence of economic and market strategy is likely to be necessary. In other words, quality local tenants could be attracted to the right place, but the building that is developed will likely need some form of economic subsidy in order to ensure a high quality of materiality, given the lower rents that they are capable of paying. The benefit of subsidy to the city and/or developer is that the right tenants and operators will enhance the marketability of the development, the Olive corridor, and the city at large.

Desired tenants would include a local coffee shop/coffee roaster, such as Kaldi's; an artisanal bakery; craft ice cream, such as Jeni's Splendid Ice Creams; a microbrewery; and a wine bar, such as Robust (in Webster Groves).


6 CREATE THE PLACE

Creating a place involves aligning a number of moving parts, some seen and some unseen. These include zoning and economic policy, design, leveraging market forces, and financial packaging.

The physical manifestation of the successful coordination of all these pieces is good design, which is the focus of this section. In an era when most development is homogenous and commoditized, great places stand out for their uniqueness, distinctiveness, and universal and timeless appeal. You never have to guess whether you have arrived at a great place. What distinguishes a great place, as it turns out, from a mediocre or unexceptional one, is the details.

SENSE OF ENCLOSURE

Probably the most powerful and least understood concept in placemaking involves a concept known as a sense of enclosure. Put simply, building facades, street trees, and other vertical elements can create a sense of comfort in an urban place, the same way walls in a room do. Make the buildings too short, or push them too far apart (as they would be, say if you were walking alongside a wide street in which the nearby shops are far from you because of an expanse of surface parking separating buildings and pedestrians) and you would experience a sense of "placelessness". Conversely, a main street environment offers an inviting sense of enclosure, and gives reason to amble, stroll, sit, play, and otherwise spend one's free time in a place, rather than merely regarding it as a place to "get in and get out", such as a strip mall or big box development.

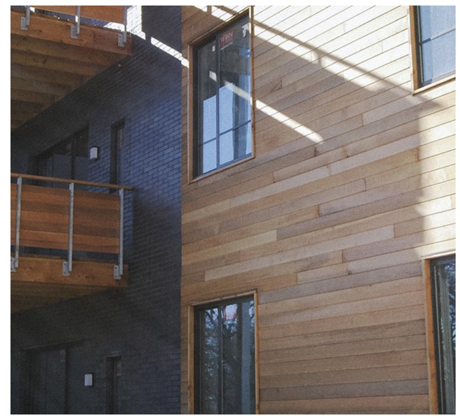
In the town center area, on and around the municipal site, a goal should be to create some buildings of some height and scale that are close to Olive Boulevard, to create more of a main street feel. Human behaviorists have noted that drivers tend to slow down, naturally, when they feel a sense of enclosure from buildings and pedestrians, creating a natural form of traffic calming.

HEIGHT

Alongside encouraging building development that is closer to the street, building height plays a key role in creating a sense of enclosure. It also plays an economic role that can increase tax revenues for the city and make better building design more likely. Allowing for greater height at the municipal site (likely four stories) enables a developer to maximize revenues on a site, creating the possibility of greater funds being devoted to building materials and greater architectural flexibility, which contributes to the making of a great place.

MATERIALITY AND ARCHITECTURE

The architectural flexibility cited in the previous paragraph includes things that enable designers to respond to the surroundings in ways that make a project fit and perhaps add to its context. These include concepts such as scaling, massing, fenestration, and ornamentation—all things that can contribute to a great place. These concepts are perhaps best understood when comparing them to an opposite set of circumstances, where economic conditions are not strong. Under such conditions, buildings are often reduced to boxes (sometimes Big Boxes), with little or no architectural detail or materiality. Such structures can offer useful services, but rarely contribute to a great place.



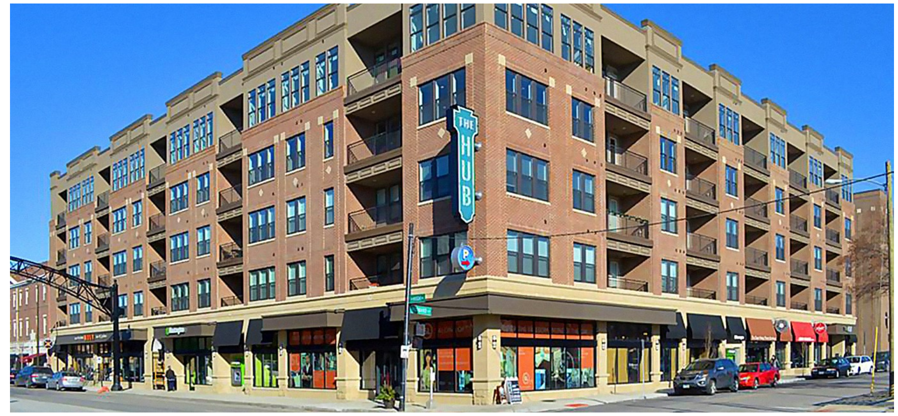
URBAN LANDSCAPE

When developing a plaza or outdoor dining space, attention to detail can distinguish a great place from a "patch of concrete". Trees, planting boxes, and grasses can all contribute to the softening of a place. Surface or hardscape materials—be they stone, brick, pavers, or tile—can have an outsized impact. So too can thoughtful furniture, including tables, chairs, and umbrellas that promote outdoor dining.

PARKING ORIENTATION

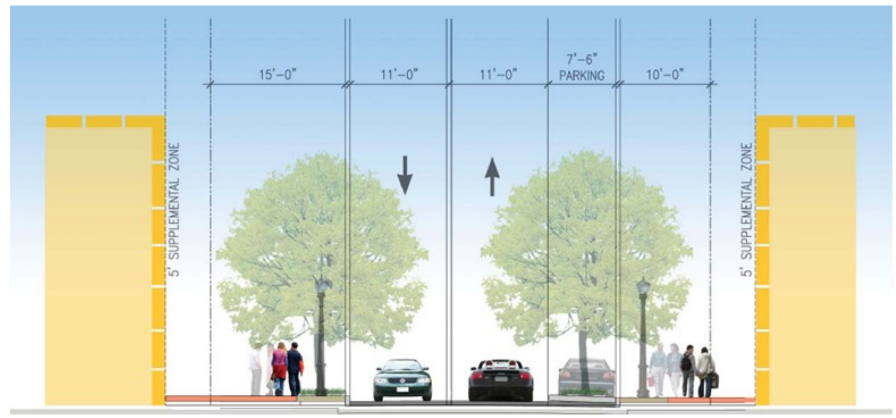
Applicable especially to the town center area is the concept of parking orientation. Where possible, the bulk of parking should be hidden from view, behind buildings and plantings. This involves a change from the conventional suburban approach, in parking is oriented toward the front of buildings, greatly reducing or eliminating the prospect of creating a great place.

In some instances, structured parking (i.e., “parking garages”) can be surrounding by residential “liner” buildings, that completely obscure them from view. Where possible, limited amounts of on-street parking should be encouraged, however.



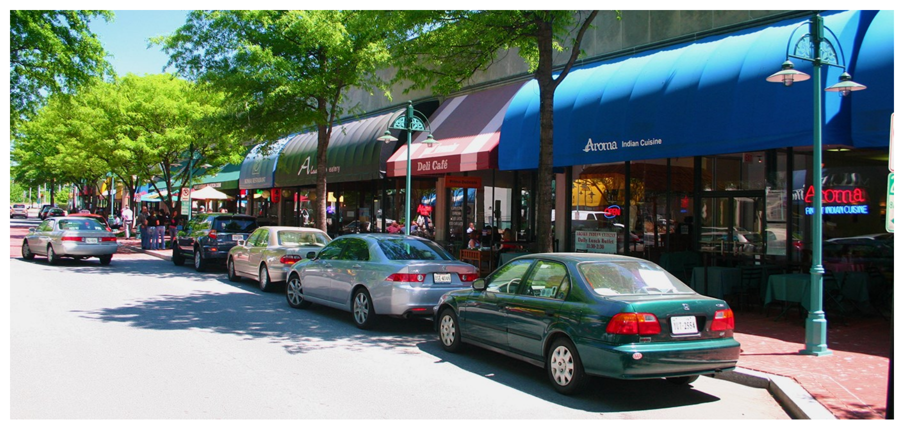
SETBACKS

Deep setbacks (fifty feet or more) are often required in new, suburban settings, often with the stated intent of offering a pastoral feel. The result is typically far from it, however, and generally just separates buildings from people and adds to lawn maintenance costs. In the town center area, buildings should be encouraged to be built closer to the right of way, to foster a sense of enclosure and encourage pedestrian-friendly forms of commerce, including window shopping. Relaxed setback requirements also increase the area on which a building can develop, increasing profitability and again creating more funds for architecture, building materials, and other value-adding features.



ON-STREET PARKING

While surface parking cannot be allowed to dominate in areas where a great place is desired, some amount of parking, such as on-street, is essential for retailers to thrive. Parking meters can be used to encourage quick-visit shoppers to conveniently pull in front of a building, pay a nominal fee, and patronize a business before being on their way. On-street parking can also provide a useful buffer between busy traffic and pedestrians.



FAÇADE RENOVATION

While many of the above details are essential in creating a great place, they are mostly useful in Olivette where new construction is encouraged. The market findings of this report concluded that many second-tier shopping centers are likely to continue in operation for some time in the corridor. Partnering and participating with property owners to understand and enact beneficial façade renovation would go a long way in improving the imagability and marketability of much of the Olive corridor.

QUALITY SUBURBAN

With respect to the interchange site, pedestrian-friendly measures should be encouraged wherever possible. However, its location ensures that automobiles will need to be accommodated in large number. Further, it is strategically important to the City that it leverages this interchange for economic development. While compromises in the pedestrian network will be necessary, this is less true for building architecture. Within reason, quality materials should be utilized, and a clear set of design guidelines are needed to ensure that chain restauranteurs and businesses conform the aesthetic brand that the City intends to enhance for itself at this gateway location. Inspiration can be drawn from a number of cities that have "demanded more" from their chain and outlot tenants.

Chapter 5

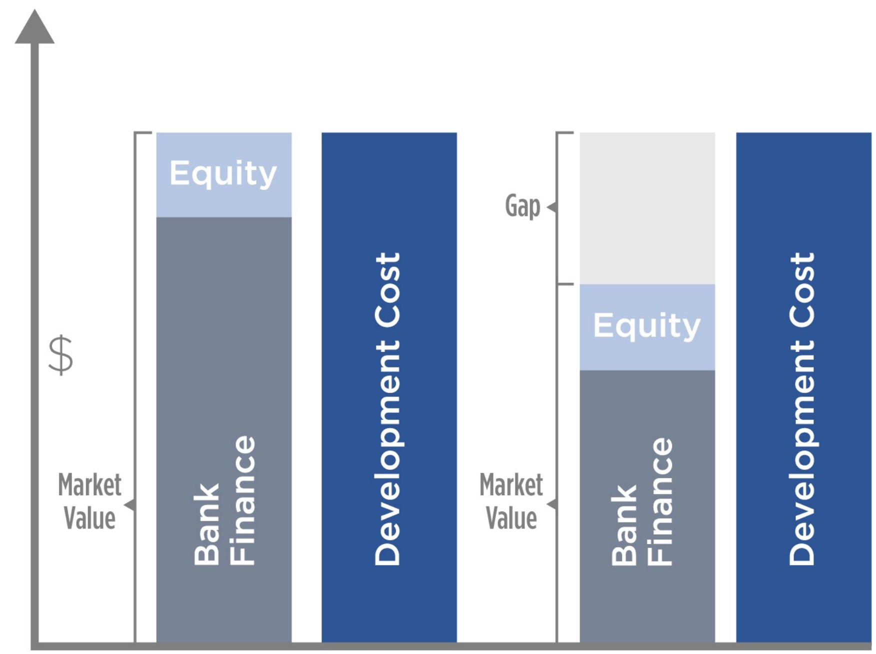
DEVELOPMENT PLANNING

While realizing the physical manifestation of market demand for the Olive Corridor is a long range proposition (with a timeframe of a decade, not a year) there is a need to focus on early catalyst projects that can seize on near term market opportunities and set a new standard for future development. This is where a development plan becomes more tangible and near-term goals for the community come into clearer view.

A critical component to a development plan is proper vetting through a number of prisms, including site capacity, market analysis, economic viability, and political support. The vetting of potential projects through these different lenses is often referred to as feasibility testing, as in:

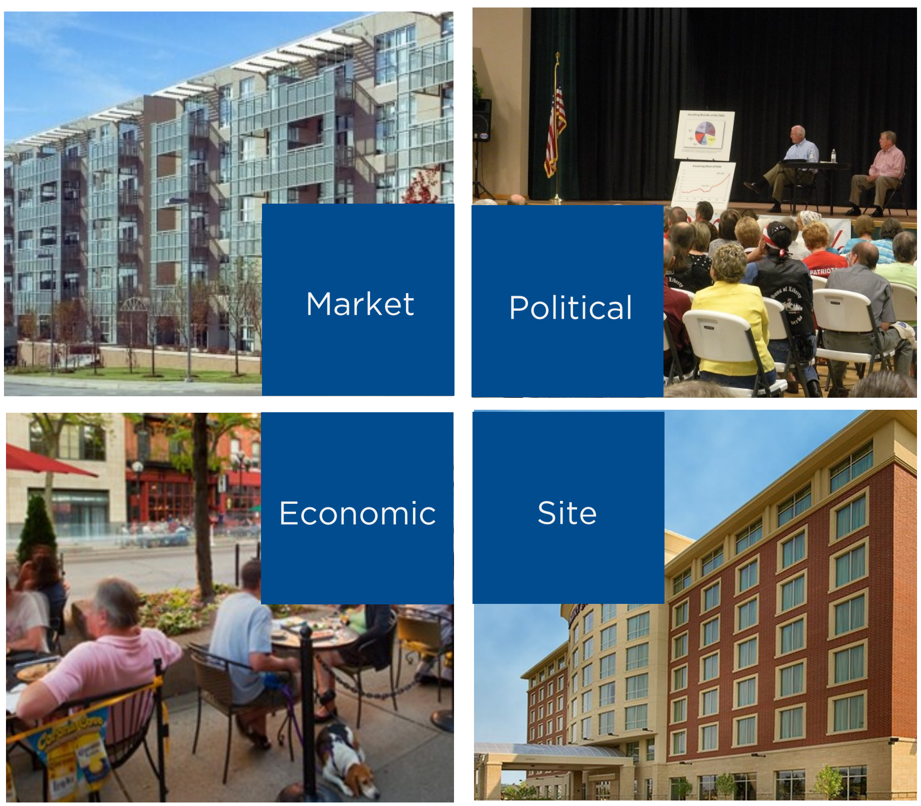
- **Site Feasibility:** Tests how much development product (typically expressed in housing units, hotel rooms, or commercial square footage) can be reasonably fit onto a site
- **Market Feasibility:** Determines the likely revenues (expressed in rents, lease rates, and sale prices) and depth of demand that exist for different development products
- **Economic Feasibility:** Compares revenues (typically in the form of rents or sale prices) with construction and operation costs, to determine whether a project is economically viable
- **Political Feasibility:** Assesses whether a project is not only legally permissible, but also whether it has public support or opposition

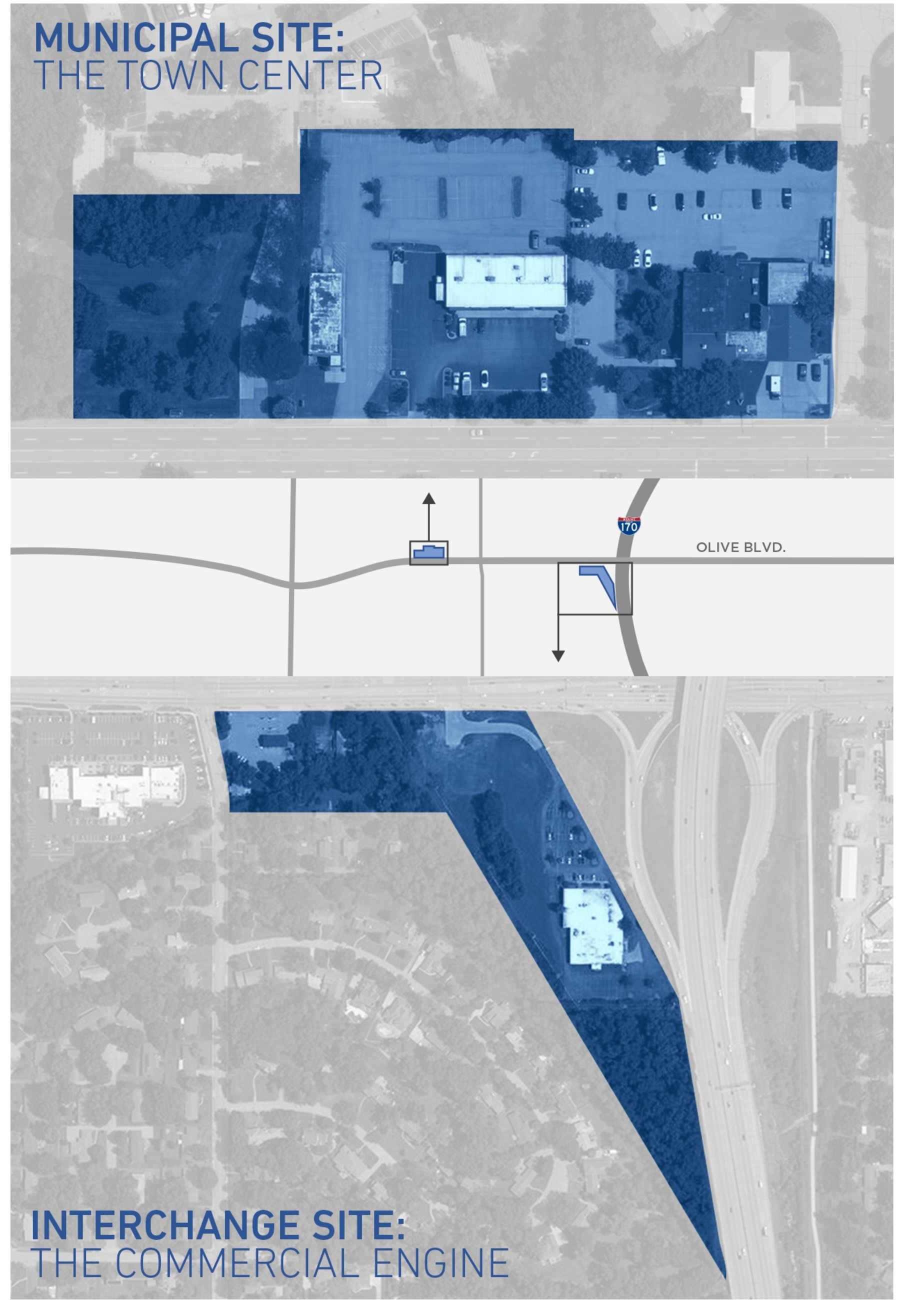
The market feasibility of different development opportunities is explored in the market analysis chapter of this report. This chapter will test economic feasibility—and, to some extent, site feasibility—of several marketable development products at the two opportunity sites to understand the degree to which they are viable. Assumptions will be made regarding achievable density, making the analysis the culmination of market, economic, and site feasibility testing. Economic feasibility analysis evaluates and test development products by determining their development value and weighing it against their development (i.e., construction, acquisition, etc.) and operational. Where development value exceeds development costs, a project is likely to be viable and attractive to private investment. Where it is not, public or institutional funds are needed to make a project feasible.



Testing political feasibility is outside the scope of this study; however, previous planning efforts that involved public input, such as the 2006 comprehensive plan, have been considered in deciding which development opportunities to focus on. The final chapter of this report discusses policy tools that could further promote the political feasibility of development types discussed in this and other chapters.

The Four Points of Feasibility





SITE ACQUISITION AND LAND COST ESTIMATES

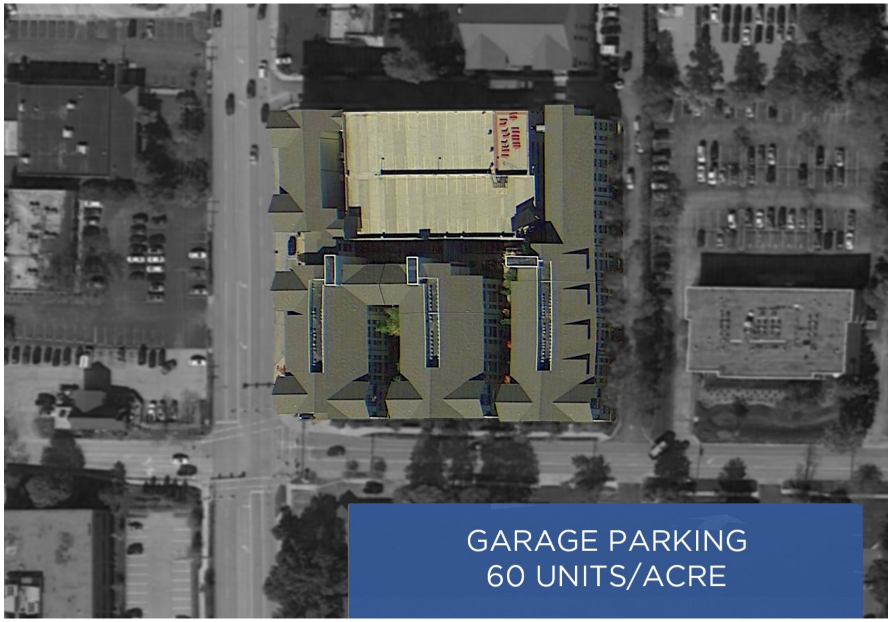
Generally, an acquisition price of $1,000,000 per acre is deemed reasonable for potential retail development at the interchange site, whereas a price of $400,000-$650,000 per acre would be expected for potential residential or mixed-use development at the municipal site.

Though not as difficult as estimating remediation costs, acquisition costs can sometimes represent something of an unknown or "X factor" in determining a development cost. Materials and labor costs are generally easier to estimate, since materials are priced as commodities and labor costs can be derived by determining the wage differences for construction works by region. With acquisition, a landowner may have an inflated sense of their property's worth, or be unwilling to sell. Other times, it is difficult to estimate the value of a particular business operation, unless they open their books.

While a detailed appraisal is always recommended in determining a property value, some general assumptions were made regarding possible acquisition costs, based on residual value analysis (estimating the total value of a property and backing into a land cost) and recent land sales in the St. Louis market that were developed into residential and retail products similar to those recommended for the opportunity sites.

Generally, an acquisition price of $1,000,000 per acre is deemed reasonable for potential retail development at the interchange site, whereas a price of $400,000 -$650,000 per acre would be expected for potential residential or mixed-use development at the municipal site. Importantly, the sale price for the municipal site will depend significantly on whether it is for the municipal site alone (1.4 acres) or includes the two adjacent parcels (2.9 acres total).

It is worth noting that among the factors affecting the feasibility of a project, density of development can have a major impact. The ability to develop a site at greater density will generally make a project more viable. The use of structured parking as opposed to surface parking is one tool that can allow for denser development, as demonstrated in the images to the right. And while structured parking is more expensive to build than a parking lot, a garage can be concealed behind an apartment or retail building, resulting in a development that addresses the street and is more inviting. The zoning code on the opportunity sites already allows for relatively dense development, and it is in the city's interest to promote denser development that will present an attractive face to the Olive Corridor and generate more activity at the opportunity areas.



Four residential and mixed-use scenarios were tested at the Town Center area – one on the municipal site alone, two on the municipal site plus the two adjacent parcels to the west, and one on the municipal site plus three adjacent parcels to the west.

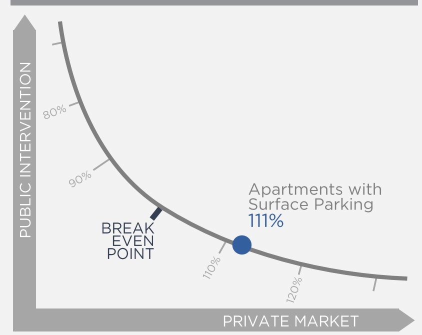
SCENARIO 1: MUNICIPAL SITE ONLY

Covering just 1.4 acres, the municipal site could only feasibly support a residential development with surface parking. We therefore tested an upper midscale rental product with a density of 30 units per acre, for a total of 40 units, plus 60 surface parking spaces. A product such as this could achieve rents of $1.40 per square foot, or roughly $1,250 for a 900 square foot two-bedroom unit, and could offer midscale finishes and community amenities. There is substantial demand for these units, as illustrated by the success of similar developments such as the Aventura at Forest Park.

An initial test of the product indicates that the development of this type of housing yields is financially viable, generating a surplus of $600,000, with a value to cost ratio of 111 percent. This implies a land price of $400,000 per acre. The project is therefore marketable and economically viable. However, developers may find a project like this too small to invest in, particularly given other larger development opportunities in central St. Louis County and the central corridor of the city of St. Louis. Furthermore, the level of finish for a product like this would likely be modest, contributing less to the attractiveness of the area than it otherwise could. This, in turn, may mute the development's catalytic potential for the surrounding parcels.

APARTMENTS WITH SURFACE PARKING

BREAK EVEN POINT



DEVELOPMENT VALUE	$6.2 M
DEVELOPMENT COSTS	$5.6 M
SURPLUS/(DEFICIT)	$0.6 M
VALUE/COST	111%

PROPOSED DEVELOPMENT DETAILS

RESIDENTIAL

Avg. Unit Size	900 SF
Units/Acre	30
Total Units	40
Rent/Square Foot	$1.40

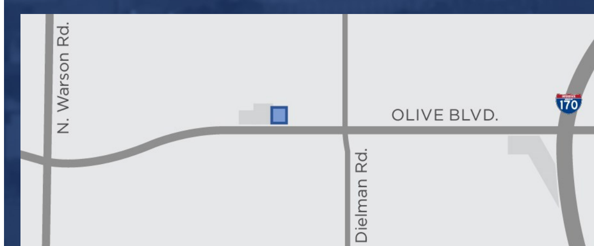
PARKING

60 Spaces

DEVELOPMENT COSTS

Residential (PSF)	$120
Operating Exp (%EGI)	40%
Implied Land Value	$400,000/acre

SCENARIO 1
MUNICIPAL SITE ALONE:
1.4 ACRES



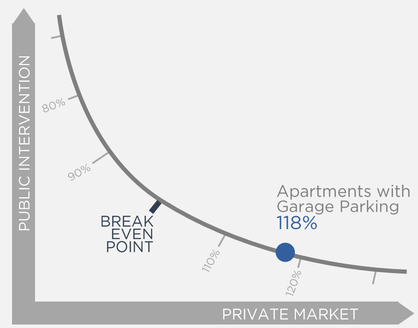
SCENARIO 2A: MUNICIPAL SITE PLUS TWO ADJACENT SITES

If the city were able to contract with the owners of the Timekeepers and Jade Garden sites directly to the west, it would create a development site covering approximately three acres. This would greatly expand the development opportunities for the site. In particular, it would allow for the viability of building structured parking and included some ground-floor retail as part of a mixed-use project. There are two likely types of rental products that could be developed on this larger site. These two products each offer their own benefits – a potentially higher land price for the city versus a higher quality and possibly mixed-use development.

The first potential product tested for the larger site is a residential-only development with a density of about 70 units per acre, or just over 200 units. Achievable rents average $1.60 per square foot, or $1,450 for a 900 square foot two-bedroom unit. It would also include a parking garage. This type of product could be extremely profitable, and has been developed throughout the region, most notably at Vanguard Crossing in University City and the new Vanguard Heights in Creve Coeur. Feasibility analysis suggests it would yield a development surplus of nearly $6 million, with a value to cost ratio of 118 percent. This implies a potential land price of $2 million per acre. The downside to such a development is that, while interior finishes and community amenities would be upscale, the exterior finishes would be more similar to a midscale or upper midscale product. Further, the development would not include any retail amenities that could serve the greater community and activate the surrounding area.

APARTMENTS WITH GARAGE PARKING

BREAK EVEN POINT



DEVELOPMENT VALUE	$37.7 M
DEVELOPMENT COSTS	$31.8 M
SURPLUS/(DEFICIT)	$5.9 M
VALUE/COST	118%

PROPOSED DEVELOPMENT DETAILS

RESIDENTIAL

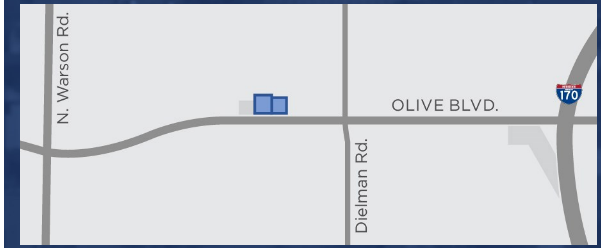
Avg. Unit Size	900 SF
Units/Acre	68
Total Units	205
Rent/Square Foot	$1.60

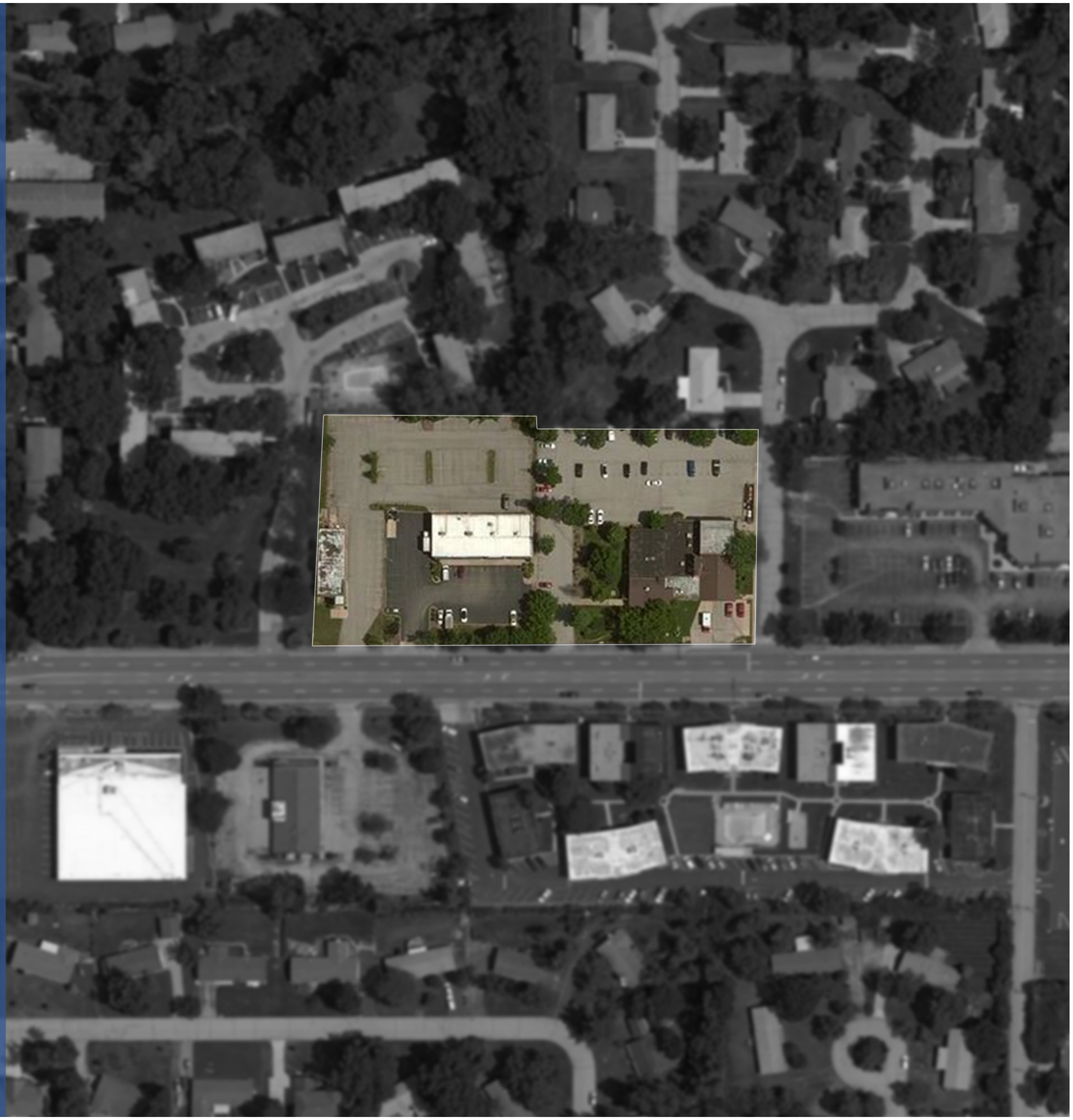
PARKING 305 Spaces

DEVELOPMENT COSTS

Residential (PSF)	$150
Implied Land Value	$2,000,000/acre

SCENARIO 2A
MUNICIPAL SITE +2
(TIMEKEEPERS AND JADE GARDEN):
2.9 ACRES





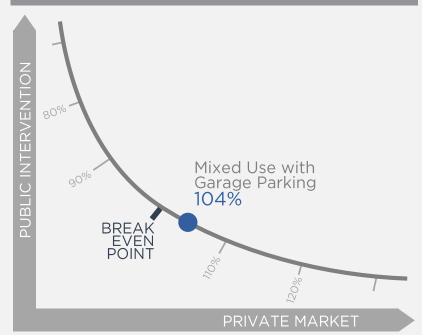
SCENARIO 2B: MUNICIPAL SITE PLUS TWO ADJACENT SITES

The second potential product is a mixed-use residential and retail development with a density of 65 units per acre, for a total of 195 units. We assume that this product would have higher-quality exterior finishes, which would lead to higher development costs but also higher achievable rents - $1.70 per square foot, or $1,530 for a 900 square foot two-bedroom unit. Additionally, this potential product would include some ground-floor retail space – about 9,000 square feet – and a small public plaza.

Given the location of the site, a local coffee shop or cafe would be desirable. Such a tenant would contribute significantly to creating activity around the site and creating a greater sense of place in the surrounding area. However, it could also only likely pay about $15 per square foot in rent. Altogether, this development yields a surplus of $1.5 million, with a value to cost ratio of 104 percent. While this is still an economically viable project, the implied land price is much lower than the first product tested – only $500,000 per acre. A decision between these two potential developments is therefore a matter of strategy for the city – an issue discussed in great detail in both the previous and final chapters of this report.

MIXED-USE
WITH GARAGE PARKING

BREAK EVEN POINT



DEVELOPMENT VALUE	$39.5 M
DEVELOPMENT COSTS	$38.0 M
SURPLUS/(DEFICIT)	$1.5 M
VALUE/COST	104%

PROPOSED DEVELOPMENT DETAILS

RESIDENTIAL

Avg. Unit Size	900 SF
Units/Acre	65
Total Units	195
Rent/Square Foot	$1.70

RETAIL

Total Area	9,000 SF
Rent/Square Foot	$15.00

PUBLIC PLAZA

Total Area	15,000 SF

PARKING	295 Spaces

DEVELOPMENT COSTS

Residential (PSF)	$178
Retail (PSF)	$218
Implied Land Value	$500,000/acre

SCENARIO 3: MUNICIPAL SITE PLUS THREE

Our analysis also considers the possibility of adding a one-acre section of the parcel adjacent to the Jade Garden site, on the west side of Tower Hill Court. This area, located directly along Olive Boulevard, is part of the Tower Hill condominium development, but is not improved with any structures. The city could negotiate an easement or purchase agreement with the condominium association to control this part of the parcel and include it as part of the larger municipal site development.

The addition of this acre of land would allow for the development to include a larger public plaza or park element, which would increase traffic to the retail tenant or tenants, create more activity in the area, and enhance the dynamism of the overall project. In short, it would help to transform the site into a true "town center." The economics of this development are identical to that of scenario 2B, with the assumption that the city would utilize incentives that leveraged the value of the development to pay for the purchase and development of the public space element.

SUMMARY

Feasibility analysis demonstrates that there is more than one residential product that could be economically viable on the municipal site. The one that is ultimately proposed and approved will depend on a number of factors.

- Certain types of products can command a higher land price, but will involve a trade-off in quality of product, mix of uses, and size of developable property
- A larger development site of three acres offers more possibilities and will attract more interest than a smaller 1.5 acre site. Efforts by the city to assemble the adjacent parcels could pay off significantly in the quality and impact of the resulting development.
- Residential development at the site will “pay the bills”; retail and public space will not. The city will have to be willing to use economic tools to support a mixed-use project, especially one that includes a public space component.
- Prioritizing a higher quality development with amenities that serve not only residents but the whole community, such as ground-floor retail, will have numerous benefits. While the initial land price may be lower in order to make such a concept viable, the value in terms of activating the site and surrounding area will be higher in the long-term.

SCENARIO 1
MUNICIPAL SITE
1.4 ACRES

Development potential:
Apartments with Surface Parking

SCENARIO 2A
MUNICIPAL SITE + 2
2.9 ACRES

Development potential:
Apartments with Garage Parking

SCENARIO 2B
MUNICIPAL SITE + 2
2.9 ACRES

Development potential:
Mixed-use with Garage Parking

SCENARIO 3
MUNICIPAL SITE + 3
3.9 ACRES

Development potential:
Mixed-use with Garage Parking and “Town Center”

Given the interchanges site's clear potential as a large-scale retail site, we tested two similar retail development scenarios on it, with just slight differentiations in tenant-type mix.

The interchange site covers 12.5 acres in the southwest quadrant of the Olive and I-170 intersection. Current uses include an office supply store, day care center, vacant gas station, and several residential properties. Based on market research and some residual analysis, we estimated the land price for both scenarios to be $1,000,000 per acre.

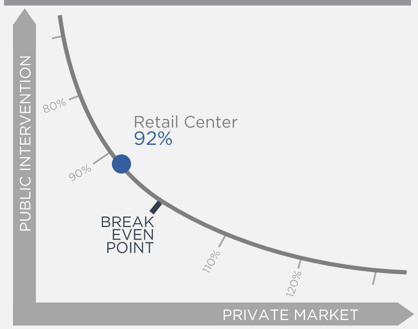
The first retail development scenario tested includes a 40,000 square foot grocery store anchor tenant along with 80,000 square feet of inline retailers that would likely include a junior anchor such as a pet supply or home goods store. The size of the anchor is an average between a larger chain such as a Dierberg's or Schnucks and a smaller one such as Luckys. Typically, anchor tenants pay a lower rent per square foot than inline retailers, as they are occupying a larger space and also are the attraction that pulls shoppers into the development. In this scenario, the anchor tenant pays $18 per square foot in rent, although a "super-anchor," such as a high-quality grocer, might pay as little as $14 per square foot. The inline stores would likely pay around $23-$24 per square foot.

The second development scenario is similar to the first, but only includes 70,000 square feet of inline retail. It also incorporates two one-acre outlot pad sites, where the developer might site a drive-thru restaurant or coffee shop chain. The developer would prepare the sites for occupancy, and then the tenant would build their own structure and either buy the lot outright or enter into a long-term ground lease. This scenario would provide some additional revenue to offset the cost of developing the rest of the site.

At the estimated rents and development costs, the first scenario falls about $2.5 million short of the "break-even" point and would require some public assistance to be developed. The second scenario comes closer to economic feasibility—accounting for the revenue from the outlot parcels, it has a shortfall of about $700,000. Since neither of these estimates include an assessment of extraordinary development costs—an issue that will be discussed in the following section—it is almost certain that public assistance will be required to achieve the quality retail development that the city desires on this site.

SCENARIO 1
RETAIL CENTER

BREAK EVEN POINT



DEVELOPMENT VALUE	$27.6 M
DEVELOPMENT COSTS	$30.1 M
SURPLUS/(DEFICIT)	($2.5 M)
VALUE/COST	92%

PROPOSED DEVELOPMENT DETAILS

SUPERMARKET

Total Area	40,000 SF
Rent/Square Foot	$18.00

INLINE RETAIL

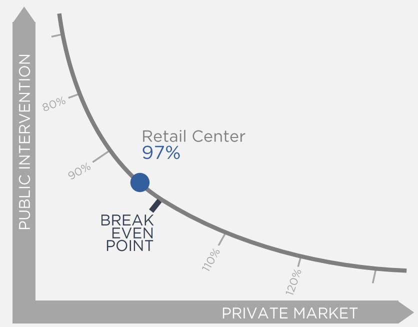
Total Area	80,000 SF
Rent/Square Foot	$24.00

DEVELOPMENT COSTS

Supermarket (PSF)	$120
Inline Retail (PSF)	$150
Land Cost	$1,000,000/acre

SCENARIO 2
RETAIL CENTER

BREAK EVEN POINT



DEVELOPMENT VALUE	$25.4 M
DEVELOPMENT COSTS	$26.1 M
SURPLUS/(DEFICIT)	($0.7 M)
VALUE/COST	97%

PROPOSED DEVELOPMENT DETAILS

SUPERMARKET

Total Area	45,000 SF
Rent/Square Foot	$18.00

INLINE RETAIL

Total Area	70,000 SF
Rent/Square Foot	$24.00

OUTLOT PARCELS

Total Area	87,000 SF
Rent/Square Foot	$1.70

DEVELOPMENT COSTS

Supermarket (PSF)	$120
Inline Retail (PSF)	$150
Outlot (PSF)	$5
Land Cost	$1,000,000/acre

POTENTIAL FOR OFFICE AND/OR HOTEL DEVELOPMENT

As discussed in the market analysis chapter, the interchange site could be marketable for an office or hotel development, given its visibility and accessibility. While we did not test the economic feasibility of either of these uses, it would be conceivable that one or both would be part of a mixed-use development at the site, with hotel as the more likely additional use, given the weaker state of the office market.

DEVELOPMENT COST CONSIDERATIONS

While it is possible to estimate property acquisition, building, and operating costs for a possible development, there are a number of extraordinary infrastructure costs that can only be estimated through an engineering site survey. These include costs for site grading, moving or installing utility lines, and traffic access. It is very likely that once these costs are factored in, the project as analyzed above will become financially infeasible. In this case, the city should be willing to consider the use of incentive tools to assist the developer in covering the cost gap, so that a desired development can move forward.

SUMMARY

Retail is king at the interchange site. A retail development will attract significant traffic to the corridor, increase resident access to amenities, and generate substantial tax revenue for the city.

A hotel can potentially fit into the development mix, but residential and office opportunities are weak and would not realize the site's full potential as a revenue generator. That being said, some subsidy and other public assistance will likely be needed for this development to happen, given three key cost variables:

- Acquisition costs, and any potential difficulties in assembling all the parcels;
- Remediation costs, particularly of former gas station site; and
- Extraordinary infrastructure costs, including grading, utilities, and any additional access requirements.

SCENARIO 1

INTERCHANGE SITE
12.5 ACRES

Development potential:
Retail Center with supermarket and inline retail

SCENARIO 2

INTERCHANGE SITE
12.5 ACRES

Development potential:
Retail Center with supermarket, inline retail and outlot parcels

Chapter 6

FISCAL IMPACT

Cities have available a variety of fiscal tools to induce private investment. These tools, if used strategically, can direct development at the opportunity areas in ways that provide the greatest benefit to the Olivette community and help the city meet the goals of its Strategic Plan.

Public fiscal tools generally fall under the following five categories: bond financing, supplemental taxes, tax reductions, grants, and tax credits. This section analyzes the use of two tools – Tax Increment Financing (TIF), which is a type of bond financing; and Community Improvement District (CID), a type of supplemental tax. These tools will not only promote the type and form of development that the city desires at the two sites, but also help the city to capture the most revenue from the developments – funds that can be used to further improve the appearance, accessibility, and overall potential of the Olive Corridor.

TAX INCREMENT FINANCING (TIF)

In certain instances, future taxes generated by real estate investments can be used to finance current costs of facilitating those improvements. This mechanism is referred to generically as Tax Increment Financing (TIF). The capture of taxes resulting from increased assessed value (the increment) is used to pay debt service on bonds issued to fund selected costs of development. In Missouri, TIF districts can stay in place for up to 23 years.

Along Olive Boulevard this would involve the creation of one or more TIF districts in the area. TIF revenue would be generated through the capture of net new property and sales taxes, and could be used to finance public infrastructure and site acquisition and clearance. For the purposes of this study, two potential TIF districts were analyzed – a district that includes the municipal site and adjacent properties, as well as some properties across Olive; and a district that covers the interchange site. The analysis assumes the development of the projects outlined in the preceding chapter Detailed calculations and assumptions for these analyses can be found in Appendix X.

COMMUNITY IMPROVEMENT DISTRICT (CID)

In general, an improvement district – also referred to as a special tax district - generates a steady source of revenue to finance services and project costs that are considered “special” to landowners, residents, and businesses within a designated geographic area. A separate tax is levied only on those properties within defined boundaries that will be benefited by these expenditures. The district is formed with approval of property owners collectively owning more than 50 percent of the assessed value of property within the proposed district; and more than 50 percent per capita of all owners of real property within the district.

A Community Improvement District (CID) typically involves a special property or sales tax that supports an array of needed supplemental programs and services. These often include marketing, maintenance, security, and limited capital improvements, including streetscape enhancements. This analysis looks at the revenue generation potential of three possible districts along Olive Boulevard – a Town Center CID stretching roughly from Diehlman Road to Old Bonhomme Road; a Commercial Engine CID from I-170 to Dolores Avenue; and an Olive Corridor CID that includes all business and commercial properties along Olive from I-170 to Old Bonhomme Road. The analysis assumes the use of a one-percent sales tax to raise revenue in the CID, and all three districts therefore only include business and commercial properties.

The potential tax revenue generated through the use of TIF and CID on the opportunity sites has been estimated based on the development scenarios presented earlier that would be most appropriate and catalytic for each site.

Estimates for fiscal impact of development on the opportunity sites is based on the preferred development scenarios presented in the previous chapter. On the municipal site, the analysis assumes a plan that includes 195 rental units and 9,000 square feet of retail, while on the interchange site it assumes a 120,000 square foot retail development. Net new property values are estimated based on potential revenue for developer, while new retail sales are estimated at $250 per square foot for retail at the municipal site and $350 per square foot for retail at the interchange site. Existing retail is assumed to generate $150 per square foot around the municipal site and $250 per square foot around the interchange site.

MUNICIPAL SITE: PROPOSED DEVELOPMENT DETAILS

RESIDENTIAL // 175,000 SF

Average Unit Size	900 SF
Units/Acre	65
Total Units	195
Rent/Square Foot	$1.70

RETAIL // 9,000 SF

Rent/Square Foot	$15.00

PUBLIC PLAZA // 15,000 SF

INTERCHANGE SITE: PROPOSED DEVELOPMENT DETAILS

SUPERMARKET

Total Area	40,000—45,000 SF
Rent/Square Foot	$18.00

INLINE RETAIL / JUNIOR ANCHOR

Total Area	75,000—80,000 SF
Rent/Square Foot	$24.00

TOTAL RETAIL 120,000 SF

DEVELOPMENT VALUES AND REVENUE GENERATION

MUNICIPAL SITE

The proposed TIF district around the municipal site includes the site itself, the two adjacent properties to the west, and three properties southwest across Olive. These additional three properties—the former Ponderosa site, the former Hardee's site (currently owned by 5/3 Bank), and Olivette Lanes—were included because new development on these sites, particularly the unused properties, is an important part of the city's overall strategy for improving the Olive Corridor. Furthermore, new development on the municipal site will likely spur interest among developers in putting these sites to a more productive use. It is in the city's interest to include the properties in the district now, so that it will be able to promote this new development in the future.

A CID around the municipal site would include 15 commercial properties, containing 170,000 square feet of retail space, plus the proposed 9,000 square feet of retail that would be developed on the municipal site.

TIF

$3.1 MILLION NET NEW PROPERTY VALUE

$1.4 MILLION ANNUAL NEW RETAIL SALES

$4.4 MILLION TAX REVENUE GENERATED (over 23 years)

CID

$27.8 MILLION ANNUAL RETAIL SALES (EST.)

$4.3 MILLION TAX REVENUE GENERATED (over 23 years)

INTERCHANGE SITE

The proposed TIF district on the interchange site contains the 12.5-acre area outlined in previous chapters. Since this site will likely contain a retail development, most of the new tax revenue generated will be from sales.

A CID around the interchange site would include five existing commercial properties, containing 53,000 square feet of retail space, plus the proposed 120,000 square feet of retail that would be developed on the interchange site.

TIF

$3.3 MILLION NET NEW PROPERTY VALUE

$35 MILLION ANNUAL NEW RETAIL SALES

$12.9 MILLION TAX REVENUE GENERATED (over 23 years)

CID

$55.2 MILLION ANNUAL RETAIL SALES (EST.)

$8.7 MILLION TAX REVENUE GENERATED (over 23 years)

OLIVE CORRIDOR

The two CIDs around the opportunity sites contain most of the retail square footage along Olive. Therefore, from a purely monetary standpoint, it would not make a major difference if they were developed as two disconnected districts. However, creating a bridge between the two districts would serve an important strategic purpose, allowing the city to undertake coordinated projects and improvements along the entirely of Olive to create the type of main corridor that was envisioned in the 2006 Strategic Plan. In this way, the districts are about more than the developments at the opportunity areas – they are about the creation of an inviting, accessible, and dynamic spine through Olivette.

An Olive Corridor CID would include the properties covered by the two districts described in the previous sections, as well as 19 additional properties containing 26,000 square feet of retail space.

CID

$55.2 MILLION ANNUAL RETAIL SALES (EST.)

$13.9 MILLION TAX REVENUE GENERATED (over 23 years)

CONCLUSIONS

The use of TIF districts and/or CIDs at and around the Opportunity Areas will generate significant revenue for the city—an estimated $31 million over 23 years. However, implementing the districts will not be easy, and will require dedicated efforts on the part of City Hall.

TOTAL POTENTIAL REVENUE

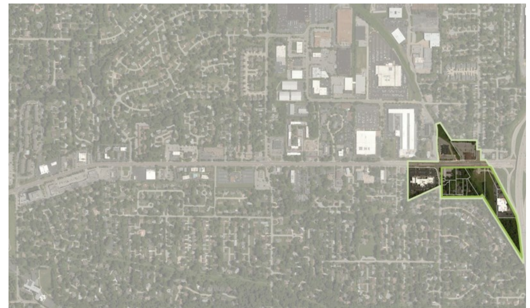
The table on the right shows the revenue generation potential of the scenarios described above. Overall, the potential funds that can be raised from new development at the opportunity areas is significant – approximately $31 million over 23 years. Just over half of the money would be generated from the two TIF districts, and could be used towards promoting development at the opportunity areas that would be the most beneficial to the city and most in line with its vision for the future of the Olive Corridor. The remaining money would be generated by the CID, and could go towards building Olive into a true main street for Olivette.

TOTAL POTENTIAL CASH PROCEEDS

TIF: $17,300,000
CID: $13,860,000
TOTAL: $31,160,000

(Net Present Value over 23 Years)

MUNICIPAL SITE



INTERCHANGE SITE

OLIVE CORRIDOR

FISCAL IMPACT SUMMARY

	MUNICIPAL SITE	INTERCHANGE SITE	OLIVE CORRIDOR
NEW UNITS	195	-	-
NEW RETAIL (SF)	9,000	120,000	-
NET ACRES	3.0	12.5	-
TIF PROCEEDS	$4,350,000	$12,950,000	-
REAL PROPERTY	$3,970,000	$4,200,000	-
EATS	$380,000	$8,750,000	-
CID PROCEEDS	$4,300,000	$8,690,000	$13,860,000
SITE PLUS ADJOINING	$4,300,000	$8,690,000	$13,860,000
TOTAL POTENTIAL CASH PROCEEDS	$8,650,000	$21,640,000	$13.860.000

Chapter 7

CONCLUSIONS AND RECOMMENDATIONS

Rather than being relegated to a passive role in which the community feels compelled to approve any new investment (a position all too many cities are in), Olivette can mold its future.

Based on the findings of this effort, a number of conclusions can be drawn:

THE OPPORTUNITIES ARE REAL

Demand for housing in Central St. Louis County communities in highly-rated school districts has been steadily on the rise for 15 years. Demographic trends and consumer preferences indicate this is likely to continue. While economic downturns are bound to happen over the next 10 to 15 years, signs point to a general arc of continued increases in property values and demand for multifamily housing in Olivette. In addition, available interchange sites for the development of retail are scarce in Central County. The interchange site is therefore likely to generate significant interest from several anchor retailers.

A BROADER MARKET STRATEGY FOR OLIVETTE

While this study primarily focused in detail on two sites, a number of citywide goals can be achieved through effective leveraging of these sites. These include:

- The creation of an authentic, identifiable town center for the entire community
- Diversity of housing types that serve people in a broad range of life phases (i.e., seniors and young people)
- Expanded dining options
- A new precedent for the quality, emphasis (people and cars, not just cars), and design of development along the Olive Corridor
- Improved walkability and livability
- Redevelopment of deteriorated, blighted, and underutilized commercial property along Olive
- An improved front door image and gateway to the community along Olive

A SITE SPECIFIC STRATEGY AIMED AT CATALYSTS

Each of the opportunity sites has unique assets that suggest its most productive use. While this differentiation should guide the city's choice of developers, their development should also be considered in the context of the broader market strategy along Olive. Development on the interchange site will create a gateway to the city and transform its image in the eyes of residents and visitors, and revenue generated can be used to enhance that new image through streetscaping and civic programming. Residential development at the municipal site will attract the young and mid-career professionals and retirees who have flocked to apartment complexes in surrounding communities, and a focus on high-quality design and thoughtful scaling will set a precedent for future development along the corridor. The use of economic development tools should be closely tied to achieving these larger goals, rather than merely facilitating site development.

ECONOMICS AND PARTNERSHIPS

The feasibility testing in this study made clear that a number of options are viable, yet some of the most strategic developments likely require a partnership between the City and developers. A regional big box anchor may require the least amount of subsidy at the interchange, but a mixed use development with a high-quality grocery anchor is likely to benefit the community's marketability in more profound ways. Similarly, the municipal site might be redeveloped into low to moderate density apartments served by surface parking; a more dense, mixed use development with garage parking and meaningful public space would give Olivette the well-defined center that has eluded it.

ECONOMIC TOOLS CAN BE LEVERAGED FOR MAXIMUM COMMUNITY BENEFIT

The feasibility testing of this study clearly shows some quality developments will require the leveraging of public incentive tools, whether they be Tax Increment Financing (TIF), Community Improvement Districts (CID), or tax abatement. While some of these tools may be needed simply to make a good project viable, others—in particular, the CID—could be leveraged beyond the sites. Other property owners, or perhaps all property owners along Olive, could opt into a CID, providing revenues for things ranging from physical improvements to the corridor, to the marketing of the corridor, to the hosting and arrangement of events (such as a farmers market, concerts, fitness programs, etc.) at a new town center.

THE GREATEST CHANGE COMES WITH MAXIMUM EFFORT AND OUTREACH

City staff, elected officials, and engaged citizens will have to work together with business owners and real estate developers to capitalize on these opportunities. It will take sustained effort, thoughtful engagement, and articulation of opportunity to bring together all parts of the community to work towards a set of common goals. Development on these sites can occur without significant effort too—their locations alone will attract it. But truly transformative development can only occur if there is a common vision and a commitment to doing all that is necessary to achieve it.

OLIVETTE IS IN THE DRIVER'S SEAT

Where strong market opportunities exist, a city is in a position to self-determine its future course. Rather than being relegated to a passive role in which a community feels compelled to approve any new investment (a position all too many cities are in), Olivette can mold its future. It can craft developer requests for proposal (RFPs) and dictate a set of market-supported terms under which public participation is contingent. It can set forth zoning requirements that mandate a better physical form. In other words, it has leverage. Through proactive engagement with the development community—and transparency with residents that it is acting on their behalf to realize the City's strategic/ comprehensive plan—it can chart a direction that results in a better front door image for the community, better livability (through a more walkable, bikeable and visually appealing Olive corridor), and a more service-amenitized place.

While this strategy document necessarily focuses on catalyzing the development of two sites, it is also focused on the leveraging of these sites *as* catalysts.

The City of Olivette's leadership decided to undertake this strategy with the expressed desire to have an active role in transforming portions of the Olive Corridor to serve a broader vision for the community. It is, by its very purpose, a document intended to lead to action and transformation. In order to achieve the opportunity and goals set forth in this strategy, proactivity and partnership are necessary. A more livable, appealing, and useful Olive Corridor is neither possible without action by the city, nor by the private sector. In fact, the greatest good will happen where the two are working in partnership.

LEVERAGE THE SITES

One of the most important takeaways from this study and strategy is to approach the two catalyst sites differently; to harness their unique assets to the greatest good. This involves viewing the interchange as a commercial engine, service provider, and revenue sources—and the municipal site as a town center. This may require the use of different tools, or an emphasis on different tools at each site. Those aimed at harnessing retail sales tax are likely to be more effective at the interchange, where retail demand is strongest. With the municipal site under City ownership, a broader array of partnership tools are available, including not only the standard tools of TIF, CID, and tax abatement, but also land sale discounts, ground leases, and others.

OUTREACH AND DISTRICT CREATION

Improvements to the streetscape and building facades along Olive will make the corridor a more inviting place to potential consumers, benefitting all businesses located there. A community improvement district (CID) that includes property owners along the Olive Corridor (and not just at the catalyst sites) will provide greater revenue streams, but also increase the area that can be impacted with new physical improvements, marketing, and events. The city may need to engage with owners, learning their specific needs and demonstrating how greater good can be accomplished through collective impact.

LAND ASSEMBLY AND DEALMAKING

Real estate development is largely considered private enterprise by many; yet what is developed on private property can have a profound impact on the community, for better or worse. In order to engage in public-private partnerships that ensure the best possible outcomes, the City may have several important roles to play. One is assisting with land assembly. The City may, prior to issuing a developer RFP, engage with property owners in a potential development district to determine their interest in being included. Where owners are recalcitrant to sell blighted commercial property at reasonable market prices, the City may need to exercise powers of condemnation in order to achieve a publicly-supported vision. Such activity need not be construed as heavy-handed state involvement, if it is used judiciously and as a tool of last resort.

KNOWN UNKNOWNS

This study identified several development products that are marketable, as well as economically feasible, given a certain set of assumptions. While the market potentials of both catalyst sites do not require significant further investigation, there are a few assumptions made in this report, relating to the cost of development, that require further investigation. These "known unknowns" represent variables that could alter the amount of public participation needed in a partnership with a private developer. These include environmental cleanup, site preparation, and demolition. The cost of these items—particularly remediation—cannot be known until in-depth study and, in some cases, site excavation is undertaken. The City needs to be prepared to adapt its participation in redevelopment, either by scaling back or ramping up the use of incentives based on the final, detailed costs.

DEVELOPER RFP

In order to foster competition, innovation, and the best possible partnership, developer requests for proposal (RFPs) are recommended for both sites. In them, the City can proactively outline its aspirations for each site, and the general expectations that need to be met in order to be selected and considered for use of public incentive and assembly tools.

SUSTAINABLE COMMUNITY-WIDE VALUE CREATION AND PROSPERITY

While this strategy document necessarily focuses on catalyzing the development of two sites, it is also focused on the leveraging of these sites *as* catalysts. The purpose of engaging in partnerships to develop these sites is not development as an end in itself. It is about achieving a number of strategic goals, including setting a new precedent of development, improving the quality of life of residents, improving property values, fostering diversity, reinforcing community, attracting new services, and enhancing the marketability and image of the entire City. It is for these reasons that this effort is being undertaken and, ultimately, justify the City's energies and resources in realizing a transformation of the interchange and municipal sites.

ENDNOTES

1 Nelson, Arthur and Lang, Robert. “The Next 100 Million.” Planning Magazine. Jan. 2007.

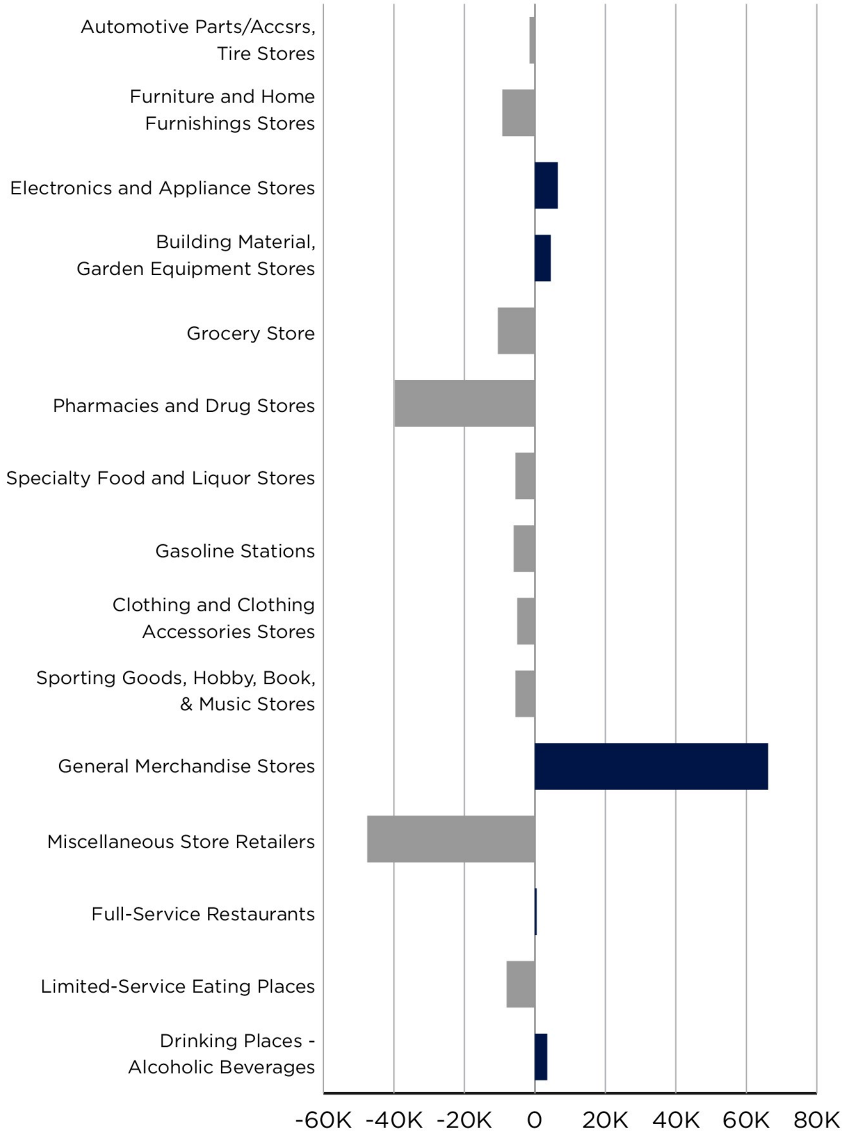
2 Riche, Martha Farnsworth. “How Changes in the Nation’s Age and Household Structure Will Reshape Housing Demand in the 21st Century.” HUD. 2003.

3 Frank, Lawrence et al. “New Data for a New Era.” SMARTRAQ. 2007.

4 “The 2011 Community Preference Survey.” National Association of Realtors. Aug. 2011.

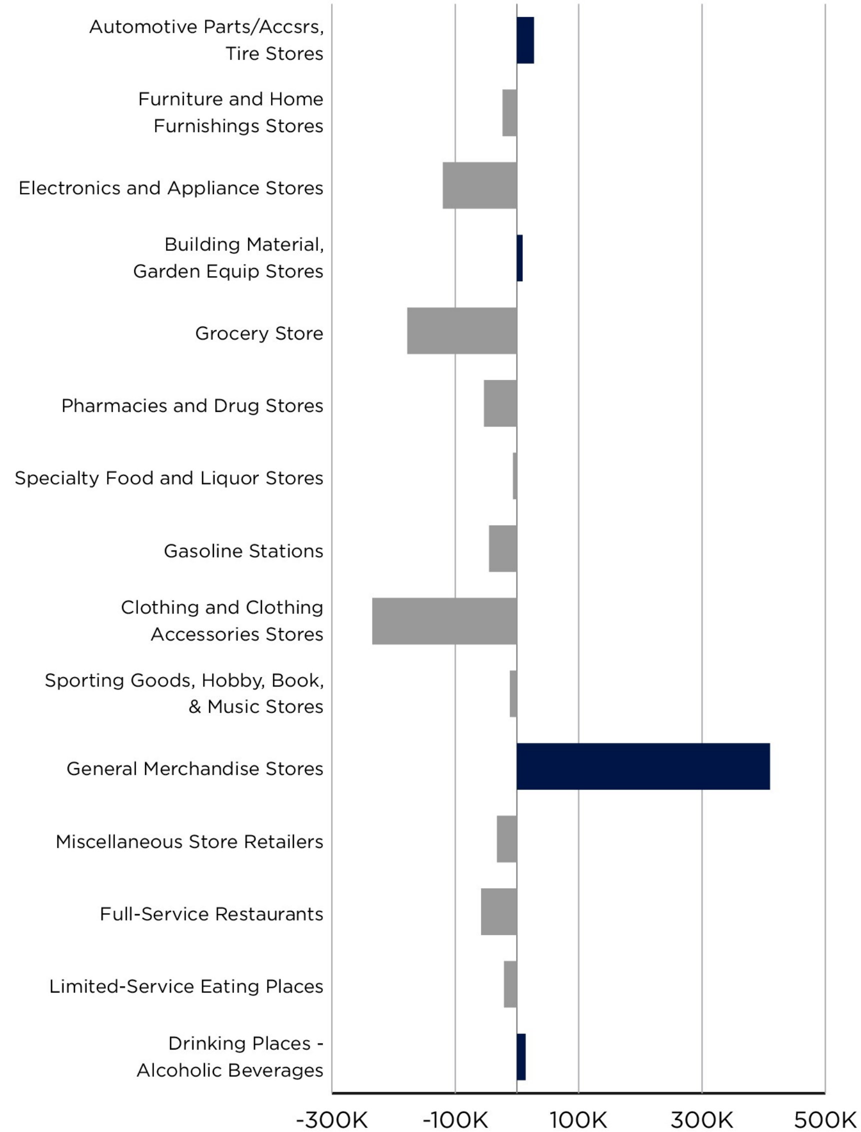
APPENDIX

Capture of Retail Demand: Five-Minute Drive Time



Sources: ULI Dollars and Cents, BizStats, Development Strategies; 2015

Capture of Retail Demand: Ten-Minute Drive Time



Sources: ULI Dollars and Cents, BizStats, Development Strategies; 2015

TAX INCREMENT FINANCING DISTRICTS (TIF)

TOWN CENTER

.

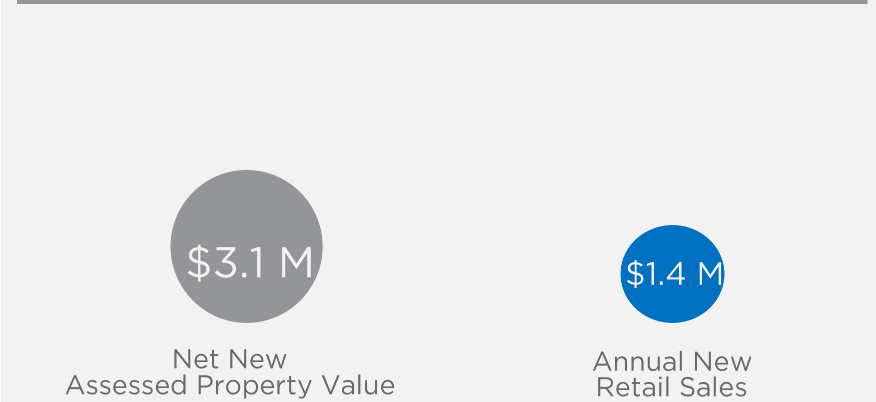
COMMERCIAL ENGINE

OLIVE CORRIDOR

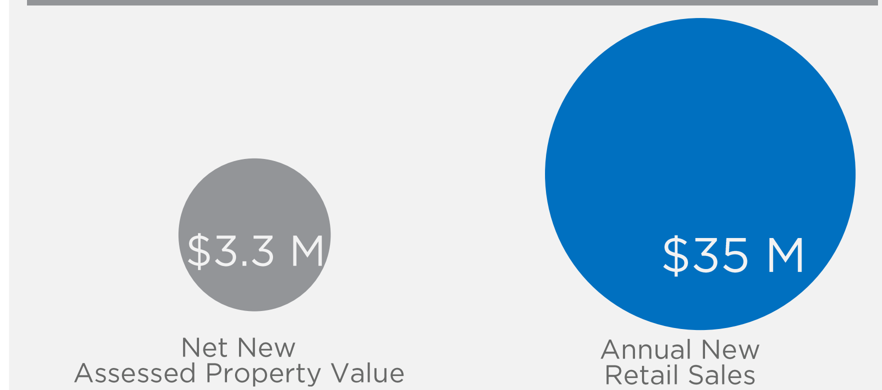
The two districts around the opportunity sites contain most of the retail square footage along Olive. Therefore, from a purely monetary standpoint, it would not make a major difference if they were developed as two disconnected districts. However, creating a bridge between the two districts would serve an important strategic purpose, allowing the city to undertake coordinated projects and improvements along the entirely of Olive to create the type of main corridor that was envisioned in the 2006 Strategic Plan. In this way, the districts are about more than the developments at the opportunity areas – they are about the creation of an inviting, accessible, and dynamic spine through Olivette.

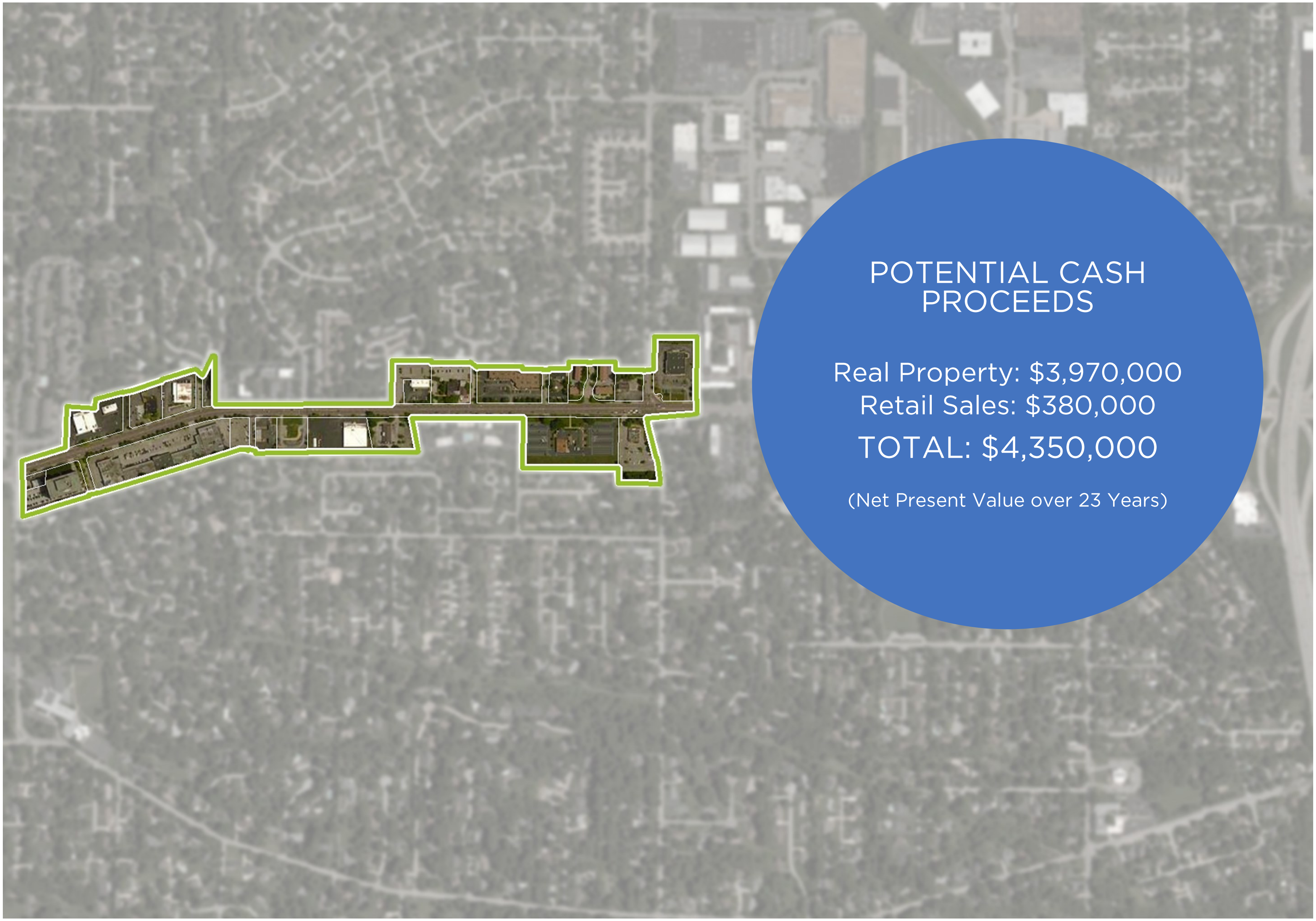
An Olive Corridor CID would include the properties covered by the two districts described in the previous sections, as well as 19 additional properties containing 26,000 square feet of retail space. This expanded district would generate an estimated $14 million in sales tax revenue over 23 years.

DEVELOPMENT VALUE ASSUMPTIONS



DEVELOPMENT VALUE ASSUMPTIONS




POTENTIAL CASH PROCEEDS
Real Property: $3,970,000
Retail Sales: $380,000
TOTAL: $4,350,000
(Net Present Value over 23 Years)


POTENTIAL CASH PROCEEDS
Real Property: $4,200,000
Retail Sales: $8,750,000
TOTAL: $12,950,000
(Net Present Value over 23 Years)

POTENTIAL CASH PROCEEDS FROM RETAIL SALES

$13,900,000

(Net Present Value over 23 Years)