

STUDY SESSION
Washington University Fiscal Impact Report
VIA VIDEOCONFERENCE
January 11, 2021
5:30 p.m.

AGENDA

Requested by the City Manager

1. MEETING CALLED TO ORDER

At the Study Session of the City Council of University City held via videoconference, on Monday, January 11, 2021, Mayor Terry Crow called the meeting to order at 5:30 p.m.

In addition to the Mayor, the following members of Council were present:

Councilmember Stacy Clay
Councilmember Aleta Klein
Councilmember Steven McMahon
Councilmember Jeffrey Hales
Councilmember Tim Cusick
Councilmember Bwayne Smotherson

Also in attendance were City Manager, Gregory Rose; City Attorney, John F. Mulligan, Jr., and Carson Bise of TischlerBise

2. CHANGES TO REGULAR AGENDA

No changes requested.

3. WASHINGTON UNIVERSITY FISCAL IMPACT REPORT

Mr. Rose stated last year the City contracted with TischlerBise to conduct a study to determine the fiscal impact Washington University has on this community. Council established a subcommittee to examine this study prior to its presentation, which resulted in two briefings with TischlerBise and its associates. So tonight, Mr. Carson Bise will provide Council with the information they ascertained from the study his firm conducted.

Mr. Bise, President of TischlerBise, stated he would like to provide a brief overview of his company and then walk Council through their findings.

Company Overview

The only national firm with a unique practice that looks solely at these cost and growth issues:

- Impact fees/infrastructure financing strategies
- Fiscal/economic impact analyses
- Capital improvement planning
- Infrastructure finance/revenue enhancement
- Real estate and market feasibility
- University-related fiscal analyses

Basic Assumptions

- Cost of Land Uses Fiscal Analysis Approach'
 - Snapshot approach to determine direct costs and revenues for various land uses
 - Limitations to this approach are the reliance on average costing, particularly for one-time capital-related costs

- FY2020 Adopted University City Annual Operating Budget used as the basis for costs and revenue allocation
 - Allocation determined based on interviews with City staff; where do you have fixed costs; are there any anomalies about the properties owned by the University that cause you to provide services in a different manner than a normal institutional-type use
- Measures impact to tax-supported funds
 - General Fund
 - Public Safety Sales Tax Fund
 - Capital Improvement Fund
 - Park and Stormwater Fund

University-Owned Residential Property

- Determined using parcel database provided by the City

University-Owned Residential Uses	Total Units [1]	Total Assessed Value [1]	Average Daily Vehicle Trips [3]	Persons per Housing Unit [2]	Estimated Population
Single Family	6	\$259,530	28	2.32	14
Multifamily	491	\$9,628,820	1,336	3.00	1,473
Institutional	27	\$1,275,370	73	3.00	81

[1] St. Louis County Assessor's Office parcel data

[2] Source: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates. Multifamily units assume an occupancy of 3 persons based on the fact these units are for University housing, with a limit of 3 persons per unit.

[3] Source: Institute of Transportation Engineers, *Trip Generation*, 10th Edition (2017)

TischlerBise used trip generation data from transportation engineers to determine the trip generation and localized community service published by the U.S. Census Bureau to determine U City's demand indicators for average daily vehicle trips per household and the estimated population within the total units. This same data was used for University-Owned Nonresidential property.

University-Owned Nonresidential Property

- Determined using parcel database provided by the City

University-Owned Nonresidential Uses	Floor Area (Sq. Ft.) [2]	Total Assessed Value*	Jobs [1]	Average Daily Vehicle Trips [3]
Retail	59,116	\$16,164,570	194	692
Office	15,300	\$107,520	78	75
Industrial	36,080	\$1,470,780	9	89
Institutional	118,140	\$28,539,000	123	633

[1] Based on employment density factors from *Trip Generation*, Institute of Transportation Engineers, 10th Edition (2017)

[2] University City Assessor's Office Parcel data

[3] Source: Institute of Transportation Engineers, *Trip Generation*, 10th Edition (2017)

Summary of Net Fiscal Results by Fund

- In FY2020 University-owned properties cost the City approximately \$2.06 million annually (while generating approximately \$1.0 million in revenue, largely from sales taxes)

	RESIDENTIAL PROPERTIES				TOTAL	NONRESIDENTIAL PROPERTIES				TOTAL
	Single Family	Multifamily	Institutional			Retail	Office	Industrial	Institutional	
General Fund										
Revenues	\$6,136	\$672,066	\$16,382	\$694,584	\$33,905	\$13,081	\$1,728	\$19,204	\$67,918	
Expenditures	\$12,365	\$1,287,427	\$70,795	\$1,370,587	\$152,646	\$26,272	\$16,973	\$130,326	\$326,217	
Net Fiscal Result	(\$6,229)	(\$615,360)	(\$54,413)	(\$676,002)	(\$118,741)	(\$13,190)	(\$15,245)	(\$111,123)	(\$258,299)	
Public Safety Sales Tax Fund										
Revenues	\$688	\$72,853	\$4,006	\$77,548	\$0	\$0	\$0	\$0	\$0	
Expenditures	\$1,477	\$156,340	\$8,597	\$166,414	\$20,552	\$2,214	\$2,658	\$18,812	\$44,237	
Net Fiscal Result	(\$789)	(\$83,487)	(\$4,591)	(\$88,867)	(\$20,552)	(\$2,214)	(\$2,658)	(\$18,812)	(\$44,237)	
Capital Improvement Sales Tax Fund										
Revenues	\$980	\$103,665	\$5,701	\$110,346	\$0	\$0	\$0	\$0	\$0	
Expenditures	\$887	\$93,864	\$5,162	\$99,913	\$7,525	\$3,026	\$349	\$4,771	\$15,671	
Net Fiscal Result	\$93	\$9,801	\$539	\$10,433	(\$7,525)	(\$3,026)	(\$349)	(\$4,771)	(\$15,671)	
Park and Stormwater Sales Tax Fund										
Revenues	\$447	\$47,262	\$25,999	\$50,307	\$3,789	\$1,523	\$176	\$2,402	\$7,891	
Expenditures	\$348	\$36,848	\$2,026	\$39,222	\$0	\$0	\$0	\$0	\$0	
Net Fiscal Result	\$98	\$10,414	\$573	\$11,085	\$3,789	\$1,523	\$176	\$2,402	\$7,891	
GRAND TOTAL										
Revenues	\$8,251	\$895,846	\$28,688	\$932,785	\$37,694	\$14,605	\$1,904	\$21,606	\$75,809	
Expenditures	\$15,077	\$1,574,478	\$86,580	\$1,676,136	\$180,723	\$31,511	\$19,980	\$153,910	\$386,124	
Net Fiscal Result	(\$6,827)	(\$678,632)	(\$57,893)	(\$743,351)	(\$143,030)	(\$16,906)	(\$18,077)	(\$132,304)	(\$310,316)	

Foregone Property Tax

- Based on the assessment data provided by the City, TischlerBise estimates the City foregoes property tax revenue totaling \$410,736 from these University-owned properties.

Prototype	Units	Taxable Value [1]	Property Tax [2]	County Road Tax [2]	TOTAL
Residential			0.61	0.105	
Single Family	6	\$259,530	\$1,583	\$273	\$1,856
Multifamily	491	\$9,628,820	\$58,736	\$10,110	\$68,846
Institutional	27	\$1,275,370	\$7,780	\$1,339	\$9,119
Subtotal	524	\$11,163,720	\$68,099	\$11,722	\$79,821
Nonresidential	Floor Area (Sq. Ft.)	Taxable Value	0.61	0.105	TOTAL
Retail	59,116	\$16,164,570	\$98,604	\$16,973	\$115,577
Office	15,300	\$107,520	\$656	\$113	\$769
Industrial	36,080	\$1,470,780	\$8,972	\$1,544	\$10,516
Institutional	118,140	\$28,539,000	\$174,088	\$29,966	\$204,054
Subtotal	228,636	\$46,281,870	\$282,319	\$48,596	\$330,915
TOTAL		\$57,445,590	\$350,418	\$60,318	\$410,736

[1] Based on tax assessment records provided by the City of University City

[2] Per \$100 of assessed valuation.

Analysis Highlights

- Washington University-owned properties generate a net deficit of \$1.05 million annually to University City
 - The majority of this deficit accrues to the General Fund
- Of the \$1.05 million annual net deficit discussed above, residential land uses owned by Washington University generate the largest net deficits to the City, at \$743,351 annually
 - University-owned nonresidential properties generate an annual net deficit of \$310,316
- *General Fund* net deficits total \$676,002 for residential properties owned by the University, compared to \$258,299 for non-residential properties.
 - Police and Fire expenditures account for the greatest General Fund expenditures, followed by Public Works

- *Public Safety Sales Tax Fund* net deficits total \$88,867 for residential properties owned by the University
- University-owned residential properties generate a net surplus of \$10,433 to the *Capital Improvement Sales Tax Fund*
 - University-owned nonresidential properties generate an annual net deficit of \$15,671
 - Because this sales tax is pooled, the City receives its distribution based on population, so nonresidential development receives no credit for sales tax generation.
- University-owned residential properties also generate a net surplus of \$11,085 to the *Park and Stormwater Sales Tax Fund*.
 - University-owned nonresidential properties generate an annual net surplus of \$7,891.
 - Nonresidential development generates a surplus because there are no nonresidential costs assumed to this Fund since almost all the expenditures are park-related

Mr. Bise stated Washington University has critiqued this study and while some of their points were valid, no one is denying that:

- Washington University has a tremendous *economic* impact on the City of University City, the analysis indicates University's tax-exempt status is placing a significant *fiscal* burden on the City

Mr. Bise noted that there is a difference between *economic impact* and *fiscal impact*; terms that are often used interchangeably in public forums. Therefore, it is important to understand that fiscal impact is really the cash flow to the public sectors, while the economic impact can transcend outside of a city's jurisdictional boundaries.

It is rare to see a University that has been as aggressive at owning non-institutional uses in the way that Washington University has.

- The proliferation of off-campus University-owned properties represents not only lost revenue but an opportunity cost in the form of significantly greater revenue from projects funded through private investors that have the possibility of greater intensity and value-added amenities that can not only provide increased property tax but also increase retail spending

Councilmember Hales posed the following questions to Mr. Bise:

Q. Were there any discussions about whether Wash U's student population is, or should be considered a benefit based on their contribution to the City's Census data?

A. One problem is that the University has properties in two jurisdictions. So while they can make estimates based on the assumption that their properties are occupied by University students, it's impossible to determine from the Census data how many residents are University students versus non-University students.

Q. Were you able to capture the impact students have on the City's economy when they leave over the summer months, and if so, what it is?

A. There is also no way to determine the economic impact for those three months during the summer. But that is really not an issue relative to this study which looks at a year's worth of revenue and expenditures or a yearly population versus a monthly population. So it's in the numbers.

Councilmember Clay asked if it would be difficult to isolate the individual economic impact to U City? Mr. Bise stated it would be relatively easier for U City since it does not have the lion's share of the University within its boundaries. Basically, there are only a few truly institutional uses and other properties associated with the University, so the first step would be to access all of their departments to get an idea of their scope of operation.

Mr. Rose stated his understanding is that the University conducts a regional economic impact study, and based on that knowledge staff requested to be provided with a copy.

Perhaps, they were unable to carve out U City and provide staff with a firm gauge, but in any event, no information was ever provided.

However, here again, he would highlight that economic impact is very different from fiscal impact, which are the direct dollars that enable the City to provide services.

Councilmember Clay stated he certainly understands that but thinks it will serve the City well to understand the dynamics of their economic impact because that is the rebuttal.

Mayor Crow stated while he does wonder about the economic impact based on the lack of Wash U students on campus, it is amazing to hear the City's restaurants talk about the number of food deliveries they have provided to students who are still in their apartments.

But when you have an institution that owns so much tax-exempt property that it would make more sense for some of that property to be held in a for-profit status, what strategies have you seen implemented to change that dynamic?

Mr. Bise stated unfortunately, he has not seen any strategies because he has never seen a situation like this. Traditionally, the university and city have an adversarial relationship, where the argument is the university has an impact from a public safety perspective, and the university cites all of the economic impacts it provides. And while he does not want to be accusatory, in U City's case there are truly uses that are not University-related where they've taken advantage of their tax-exempt status. This obviously has implications because the City only has a limited amount of land.

However, in terms of mitigation strategies, Mr. Bise stated some communities and universities have acknowledged the challenges and entered into some kind of a pilot or payment in lieu of taxes program to offset some of these mitigations. Yet, in other cases, like Chapel Hill, there is a total breakdown where the City believes they are doing the university a favor by tolerating them, when in fact; it's the other way around. So, it's all over the map.

Mayor Crow asked Mr. Bise if he had any examples of the communities who utilized the payment in lieu of taxes program? Mr. Bise stated he did not have any off the top of his head, but he could certainly provide that information to Mr. Rose. However, the good news is that Wash U's impact is somewhat de minimis because their net impact is about 2.8 to 3% of the City's tax-supported budget.

Mayor Crow stated the one thing he keeps coming back to is the best thing Wash U has going for them, is they just get to wait.

Mr. Bise stated that's right. They criticized the specific data in this report related to their use of public safety services; saying hey, you've stacked the deck by using the two most expensive services the City provides. But it's clear that they generate a higher response rate than the average land user within the City. And to be fair, you can't talk to the Finance Department or the Planning Department and ascertain how many University-related services they provide, so you have to use city-wide averages.

Councilmember Cusick asked Mr. Bise if he was able to corroborate whether the information found in the 2015 report on Wash U conducted by U City residents matched any of his findings? Mr. Bise stated it has been some time since he looked at the report, so at this point, he is unable to make any comments without reviewing it again.

Councilmember Cusick stated the School District receives the same amount of money each year because any reductions in revenue are compensated for by increasing the percentage of taxes paid by residents. So, while it's not necessarily a fiscal loss to the City, it's a burden on taxpayers. And while he understands that this report did not look at the impact Wash U has on individual residents, he would like to ask Mr. Bise if he is able to make any comments on this issue? Mr. Bise stated that is exactly right. And while he is ignorant of the School District's revenue structure he thinks it's fair to say that they get more in property taxes than they get in sales tax. Therefore, residents are most likely subsidizing the University at a greater level than the City, which in his estimation is somewhere in the range of 1 million dollars.

Mr. Rose stated Councilmember Cusick's question regarding the impact on residents represents more of a global impact on U City, which is outside the scope of work TischlerBise was contracted to perform. But certainly, there could be other studies initiated by the School District to determine the fiscal impact that Wash U has on its schools.

Councilmember Cusick stated while he agrees with that statement, the School District really has no motivation to conduct such a study since they still get the same amount of money each year because taxpayers are subsidizing any losses in revenue. So, at some point, he thinks there needs to be a discussion about this disparity.

Councilmember Hales stated although he understands why this issue was not included in the scope of this study, he agrees with Councilmember Cusick. Everybody is still getting their money but across the board, it's the residents who are making up for the money that is not on the tax rolls because of these non-institutional uses. And when people look at this granted palace to the south of them who is not paying taxes on what has effectively become a real estate company, it's a real challenge.

Councilmember Smotherson asked Mr. Rose, what's next? What should the City do with this information? Mr. Rose stated the next steps include making this report an Agenda item on the next Council meeting for approval so that it can be closed out, and a recommendation that he and the Mayor be allowed to schedule a series of meetings with the Chancellor of Wash U and his team to hopefully reach an amenable agreement on how to address these deficits.

He stated included in Council's packet is Wash U's response to TischlerBise's report and the City's reply addressing the concerns they raised. Council also created a subcommittee to look at any zoning issues and one of the areas they will be looking at is the impact of multi-family housing.

Councilmember Smotherson stated while he has no issue with the ability of Mr. Rose or the Mayor to conduct a fruitful meeting, he would like to suggest that the preliminary meeting include every member of Council.

Mr. Rose stated in his opinion, while not impossible, it would certainly be challenging to initiate a pliable dialogue with seven members of Council present. The intent; if this recommendation is approved is to routinely update every member of Council on the results of these discussions and garner additional input. He stated these discussions would likely qualify as Executive Sessions because the end goal is to reach a contractual agreement with Wash U.

Councilmember Klein asked if, at any stage, it would be appropriate to invite a member of the press to these discussions? She stated in her opinion, the answers provided by the University in response to this report were lacking in substance. And her thinking was that perhaps, the quality of their statements might be better if someone from the media was in the room.

Mr. Rose stated he thinks the first meeting will likely establish the parameters for how any negotiations are going to transpire. And he does not doubt that Wash U is aware that any agreement reached will be presented to the public and the press.

Mayor Crow stated he would parallel Councilmember Klein's point by adding that the City's message should also be communicated to Wash U's student body. Because oftentimes it seems like when students are engaged you get a broader response.

4. ADJOURNMENT

Mayor Crow thanked Mr. Bise for his presentation and adjourned the Study Session at 6:15 p.m.

LaRette Reese
City Clerk